



# Integrated Report 2023

2022.5 ▶ 2023.4



Group Slogan

## Holding beautiful will.

*Just like Audrey Hepburn.*

Group Statement

**We are committed to ensuring our employees are happy and motivated. We want the AIN Group to be a workplace where employees seek out new challenges to grow and develop, dedicating themselves to improving the health and happiness of customers. Our goal is to be a leading corporate group that constantly embraces change.**

Connecting closely with the thoughts and feelings of all the people we encounter. A company that can take pride and joy in this statement is what the AIN Group endeavors to be. Like Audrey Hepburn, who captivated the world as an actress, lived as a mother and an independent woman, and devoted her later years to being a Goodwill Ambassador for the United Nations International Children's Emergency Fund (UNICEF). We aspire to be a company where each employee holds a beautiful will, supporting people with love and hope.

First, we must be a company that values its employees. And be a rewarding place to work. Only when these requirements are met can we do our best for our customers. Our management philosophy holds that "putting employees first" is the ultimate form of "putting customers first." This message expresses our strong will to aim and continuously live up to the name and reality of being a leading group for our customers, employees, and all stakeholders.



## Aiming to be a company that people welcome to their communities

Society is changing drastically, and people's needs and values are becoming increasingly diverse. In our business environment, there are various ways in which patients and customers can fulfill their wishes of staying healthy and beautiful. The AIN Group is dedicated to improving the health and happiness of our customers, which is enshrined in the Group Statement, through its business activities that contributes to people's health and beauty. To consistently strive to attain this goal, we will continue to adjust and respond to the needs of our customers and all our other stakeholders as we aim to be a company that people welcome to their communities.





We at the AIN Group aim to create a society where people can live healthy, beautiful, and happy lives by connecting closely with the thoughts and feelings of each individual. We operate dispensing pharmacy and cosmetic and drug store businesses in a bid to serve as a local infrastructure of such society.

## Dispensing pharmacy business

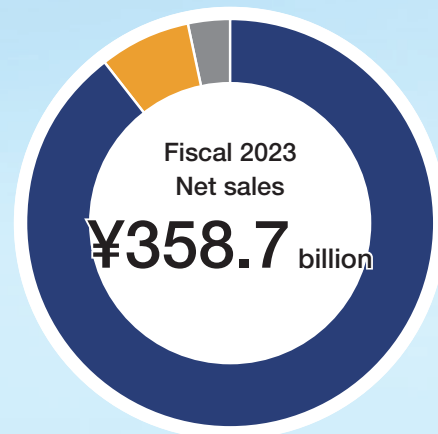
Connecting closely with local communities  
It is to connect closely with the lives of each individual

Led by AIN Pharmacy, we operate dispensing pharmacies throughout Japan spanning from Hokkaido to Okinawa. We are actively involved in supporting the health of local residents by strengthening cooperation with local medical institutions and related facilities.

## Cosmetic and drug store business

Being closest to the people who want to be beautiful

We operate AINZ & TULPE cosmetic and drug stores with a focus on the Tokyo metropolitan area and other urban cities. We have a wide range of offerings to help customers enjoy a beautiful and healthy life.



Composition

Dispensing pharmacy business  
**89.6%**

Cosmetic and drug store business  
**7.2%**

Other businesses  
**3.2%**

## Dispensing pharmacy business (Fiscal 2023 / As of April 30, 2023)



Number of pharmacies

**1,209**

We open dispensing pharmacies in locations that are highly convenient for patients, and are also focusing on coordination with medical institutions.



Number of pharmacies that supports home-based healthcare

**1,152**

In order to further contribute to local healthcare, we are proactively participating in home-based healthcare. We visit patients' homes and facilities to support their prescription medication.



Number of health support pharmacies

**171**

We actively engage in organizing health consultation events and participating in local events with the aim of contributing to the health of local residents.



Number of pharmacists

**6,331**

In addition to the active recruitment of pharmacists, we provide training programs tailored to various careers to develop human resources with a high level of expertise and communication skills.



Number of primary care pharmacists

**2,084**

We are working to strengthen our functions as primary care pharmacists and pharmacies in order to support a large number of patients.



Prescription volume

**25,050 thousand**

We accept prescriptions from medical institutions nationwide, and strive to ensure that patients can continue to receive prescription medication with peace of mind.

## Cosmetic and drug store business (Fiscal 2023 / As of April 30, 2023)



Number of cosmetic and drug stores

**78**

We are working to open stores in highly convenient locations such as the Tokyo metropolitan area and terminal stations near residential areas so that customers can easily drop by.



Beauty product sales composition

**88.2%**

Unlike general drug stores, we offer mainly beauty products such as skincare and makeup, as well as other items related to beauty and well-being.








Number of official app users

**1,290 thousand**

In addition to providing product information that ensures high customer satisfaction and keeps up with trends, the app also offers convenient features and benefits such as loyalty points and coupons.



Information disclosure system

	Financial information	Non-financial information
 Reports	<b>Integrated Report 2023</b> We explain our vision, growth strategies, and activities for improving corporate value over the medium- to long-term	
	Annual Securities Report (Japanese only)	Corporate Governance Report
	DATA FILE	ESG Data Book
 Website	IR Information <a href="https://www.ainj.co.jp/corporate/english/">https://www.ainj.co.jp/corporate/english/</a> 	Sustainability <a href="https://www.ainj.co.jp/corporate/english/sustainability.html">https://www.ainj.co.jp/corporate/english/sustainability.html</a> 
	General Meeting of Shareholders Financial results briefing Individual meetings with domestic and overseas institutional investors	Stakeholder engagement
 Dialogue		



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Editorial policy

The AIN Group implements a variety of initiatives aimed at generating sustainable growth and creating social, environmental, and economic value. Since the fiscal year ended April 30, 2010, we have published an Annual Report in English to strengthen communication with shareholders, investors and other stakeholders through deeper understanding of the Group's specific initiatives and ideas. From 2022, we are publishing an Integrated Report in Japanese and English, which includes expanded information on the Group's materiality, human resources strategy, digital transformation strategy and other initiatives aimed at increasing value over the medium and long term.

In editing this report, we referenced the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC)\* and the Guidance for Collaborative Value Creation 2.0 formulated by the Ministry of Economy, Trade and Industry (METI). The AIN Group works to actively disseminate information to stakeholders, including regular updates through news releases and other information disclosures on its website.

<https://www.ainj.co.jp/corporate/> (Information partially available in English)

\*In June 2021, IIRC merged with the Sustainability Accounting Standards Board (SASB) to form the Value Reporting Foundation (VRF). VRF subsequently merged by the International Sustainability Standards Board (ISSB) together with Climate Disclosure Standards Board (CDSB) in June 2022.

**Period covered** Fiscal year ended April 30, 2023 (May 1, 2022 - April 30, 2023) This report includes the latest information as of the date of publication.

**Scope** AIN HOLDINGS INC., 30 subsidiaries and 3 affiliates

Forward-looking Statements

This integrated report contains forecasts and projections concerning the plans, strategies and performance of the Group. These forecasts and projections constitute forward-looking statements that are not historical facts, but are based on assumptions and beliefs in accordance with information currently available to management.

These forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to, economic conditions, intense competition in the healthcare industry, etc., demand, tax systems, and laws and regulations. As such, the Group wishes to caution readers that actual results may differ materially from those projected.

## Making AIN Pharmacy the infrastructure of local communities Driving the industry as a leading company



President and Representative Director  
Kiichi Ohtani

### The time we strove to be the “de facto standard for dispensing pharmacies”

The AIN Group's vision is to become a company that people welcome to their communities. To this end, we endeavor to serve as the infrastructure of local communities.

The Group opened its first pharmacy in 1993, marking the beginning of our current dispensing pharmacy business. In the 1990s, the separation of medical and dispensary services was rapidly

accelerated by governmental policy, leading to many pharmacies being opened in response to the rapidly increasing number of out-of-hospital drug prescriptions. Against this backdrop, the Group developed its operations to establish a position as the “de facto standard for dispensing pharmacies.” At a time when pharmacies were lesser known due to the preconceived notion that medicine is received at the hospital, AIN Pharmacy decided to become the model for dispensing pharmacies. To achieve this, we considered having sufficient business scale to be our top priority and actively worked to develop our business.

However, the environment surrounding dispensing pharmacies has changed drastically over the past 30 years. Along with that, the vision of the Group has also changed.

### Two turning points that led to the goal of being a local infrastructure

The collapse of the Group's main bank in 1997 marked a major turning point in the company's history. The vulnerability of our corporate stance, which had prioritized business expansion and was too focused on sales and profit figures, was exposed following our main bank's collapse, causing us to face a major crisis.

We learned from the various struggles at the time that it was important not only to expand our business, but also to focus on fund procurement and financial soundness. Thanks to that experience, we have been able to build a solid business and financial base, and the fruits of that labor are now leading to further growth investments.

Having a sound financial structure has also become an overwhelming strength of the Group today, and it is also benefiting us greatly in terms of building relationships of trust with business partners and securing human resources, creating a further virtuous cycle.

Another turning point was the Great East Japan Earthquake of 2011. This unprecedented earthquake caused great disruption to medical facilities across Japan, and our pharmacies were no exception. In the disaster-stricken areas, medical activities themselves faced difficulty surviving. To contribute to the provision of medical care during this crisis, employees of the Group's headquarters, bases nationwide, and bases

in disaster-stricken areas coordinated closely, listened to the needs expressed by patients, and continued to work diligently to supply medicine.

This experience made us strongly aware of the importance of backing up patient medical information with a database and of the information management function of pharmacies, leading to the acceleration of the Group's digital transformation. In addition, through recognizing the importance of the role of providing medical care once again, we saw pharmacies as a social foundation, which prompted us to review our vision of the dispensing pharmacy business from being the “de facto standard for dispensing pharmacies” to being the “local infrastructure.”

### Introduction of digital transformation promotion and FM system as growth strategies

We have set forth digital transformation promotion and the introduction of an FM (field manager) system as strategies geared toward future growth. We believe these two initiatives can produce significant results in maximizing business value and avoiding management risk.

From the experience of the Great East Japan Earthquake mentioned above, we learned that promoting digital transformation is essential to building an operational system that can remain in operation no matter what. In addition to strengthening our management base by bolstering our internal network and revamping our core drug dispensing system, we also introduced online pharmaceutical guidance services and digital drug prescriptions that respond to deregulation, and released our official app, Anytime AIN Pharmacy. Through such moves, we will achieve the government's vision for patient-focused pharmacies that align with governmental policy. We are also undertaking various measures to provide added value to patients, including integrated management of patient data, digital patient medication notebook app, and the introduction of route-based distribution to reinforce logistics. We also have plans to upgrade our accounting system down the road.

As can be seen, the Group's digital transformation promotion is still in its early stages, and we will continue to expand measures going forward.

Our FM system is based on the OFC (operation field counselor) system adopted by Seven-Eleven Japan of Seven and i Holdings, a major retail company in Japan, with which we have a capital and business alliance. While it is well known that the existence of

OFC contributes significantly to Seven-Eleven Japan's earnings growth, we had long been convinced that the framework of this system will work effectively for the AIN Group as well. In reality, however, it was difficult to achieve, due to factors such as the scale of our business and a lack of employees. In the past, we had adopted a block system in which a block consisting of six to seven pharmacies was managed by a single block manager, who also worked as a dispensing pharmacy leader. In addition to managing their own stores, they had to oversee the other stores within the block. This system resulted in a lack of thorough operation management. Under the newly introduced FM system, FMs are now dedicated managers responsible for the management of a small organization. They manage the operations of the pharmacies in their field while coordinating with dispensing pharmacy leaders. While referencing the OFC system, the FM system was introduced in a way that adheres to the Group's own systems and human resources.

Although there were some issues with FMs' lack of experience and disruptions over coordinating with pharmacies, after a year following the introduction of the new system, we were able to perform the functions for which we were originally aiming. Now, we are beginning to see results that can be considered the fruits of these efforts. Furthermore, having selected FMs learn about management in a practical setting also contributes to the training of future management personnel.

In addition to these two strategies, we will step up moves to promote our business expansion growth strategy. In 2022, we acquired all shares of Pharmacy Holdings Co. Ltd. (Hiroshima Prefecture), which mainly operates pharmacies in the Chugoku region, and welcomed its 101 pharmacies into the Group, the largest M&A we have carried out to date. Going forward, we will continue to expand the scale of our business through organic store openings and M&As, and to capitalize on economies of scale.

### Expansion of AINZ & TULPE

Another pillar of the Group's business are the comprehensive beauty outlets in the cosmetic and drug store business, AINZ & TULPE. We are actively expanding this business to meet diverse needs and tap into new markets by adopting a one-and-only style that differs from other stores in areas such as product mixes and retail layout design.

The cosmetic and drug store business has a longer history than the dispensing pharmacy business. As pharmacies in urban areas have been turned into

drug store chains, we have continued to develop our business differently, as comprehensive beauty outlets that create unique encounters and experiences. Together with the changing times, the concept of beauty has become increasingly diverse, and AINZ & TULPE is constantly evolving as well. No one store has the same product mixes or sales area. Our staff members think on their own about how they can create a sales area that matches the characteristics of the surrounding commercial area and the store location. They repeat this practice every day to provide new encounters that go beyond the needs of our customers.

In recent years, our highly original store development efforts have been rated highly, leading to the receipt of many requests to open leased stores. We have been achieving a virtuous cycle in which one achievement leads to another store opening, which leads to the opening of stores in even prime locations.

Also, in March 2022, we established a joint venture with Marubeni Corporation with the aim of opening stores in Asia as a stepping stone to global expansion. At the same time, we opened our first overseas store in Malaysia, where there is a high population ratio of millennials and gen-Z consumers, the main targets of our stores, and demand for cosmetics among young people is rapidly rising due to recent economic growth.

By further refining our strengths in store creation that are unique to the Group and proactively opening stores under favorable conditions, we aim to further expand the scale of our business while reinforcing a structure that can sustain profitability as a business.

## Investing in human resources

One of the key factors that underpin the Group's various growth strategies is securing talented human resources.

To promote digital transformation, it is essential for employees to not just have a high level of expertise, but also to have a deep understanding of the Group's goals. As such, over the past few years, we have been working to expand the number of personnel in specialized departments. This year, we hired 40 new employees and assigned temporary workers as appropriate, and now have a team of about 100 people within the Company. In addition, in the FM system, new positions incurred new personnel costs for the 100 FM pharmacists that have gained experience. We were able to create the FM system because we were able to secure human resources as well as the capital that could support investments in these human resources.

The foundation of strategic investments requires human resources to carry them out. We have been able

to secure these human resources because the Group has gained recognition as a leading company in the industry, which is a fact of which we are proud. Backed by the expansion of our business and achievements, the AIN Group has become more widely recognized and financially sound, enabling us to earn trust.

In terms of hiring new graduates, the number of students wanting to join the Group is increasing year by year. I believe this is not just because of the Group's stability, due to its size, but also because of a strong drive to learn many different things from the diversity of this expansion. This new willingness to take on the challenge of expansive learning while standing on a foundation of stability will ensure further growth for the Group.

Meanwhile, rapid scale expansion, including M&As, has spilled over into the challenges of increasingly complex corporate governance and the growing need for diverse work styles. We will strive to anticipate the risks and address these issues at a faster pace than the expanding scale. We are also constantly considering ways to provide a place where employees can fully demonstrate their skills while working closely with diverse personnel with unique backgrounds. As part of these efforts, we started an employee engagement survey in 2022. We are implementing appropriate measures after listening to the needs expressed by each employee and clarifying the actual issues they face. Furthermore, in 2023, we revamped our personnel system to establish evaluation standards and enable diverse work styles. We will continue to make improvements to enable better employees to work more efficiently.

## Conveying the thoughts of the president

When it comes to running a company, I believe it is very important that the president's vision and direction resonate with employees. I could even go as far as to say that the growth of a company is determined by how well the president's views are conveyed throughout said company. My strong determination to make AIN Pharmacy the infrastructure of local communities is conveyed to employees, fostering a resonance with them. This resonance transforms into the motivation of frontline employees, and ultimately pushes the entire company toward the achievement of our vision. For this to happen, I keep in mind the importance of maintaining this strong determination myself, engaging in dialogue with employees, and also always being true to my words so that they can see my actions.

To enable future generations of human resources to share the same views, we hold top conferences (meetings where officers and employees can interact) all over Japan, and also provide opportunities for employees to interact with people of their own generation through annual trainings and group meetings. Based on the premise of ongoing concern, we will give form to invisible assets and steadily pass on our legacy to future generations and beyond.

## Sustainability management that leads to profit

One of the issues the Group needs to tackle is deepening our sustainability management. In May 2021, to promote sustainability management, we have set key initiatives, KPIs and fiscal 2026 targets in each area of materiality: "Contribute to local healthcare," "Provide beauty and happiness," "Safety, peace of mind and trust," "Protect the environment and reduce environmental impact," "Ensure sound management base," and "Cooperate with local communities and businesses." In April 2022, we endorsed the Task Force on Climate-related Financial Disclosures (TCFD)'s Final Report (TCFD Recommendations) presented internationally. The Group also joined the TCFD Consortium, a group of domestic companies, financial institutions and other bodies that have endorsed and are working to implement the TCFD's recommendations.

However, we recognize that these are just the first steps in implementing sustainability management. Moreover, in Europe and the US, the level of commitment to ESG investments is being scrutinized more heavily than ever. In light of this, we must continue to take concrete actions to ensure that the recognition of sustainability management does not end up being superficial, and that it leads to profit.

I believe this will help us realize the Group's commitment to the value creation story of being dedicated to improving the health and happiness of our customers.

## Our stance as a leading company

As Japan's healthcare system undergoes major changes, including the start of online pharmaceutical guidance in 2022 and the operation of the digital drug prescription management service in 2023, the Group is quickly moving forward with measures that adhere to each system. Meanwhile, amid such constant changes

in the business environment, our stance as a leading company is attracting even more attention.

Initiatives for the natural environment are also an issue, and the upper limit on overtime for truck drivers, which comes into effect in April 2024 and will impact logistics, is one of the most pressing challenges. As reducing the number of deliveries to pharmacies is not easy, precise inventory management and store management will be necessary. In addition, we must build cooperation not only within the Group, but also with other pharmacies in the region, to operate more efficiently. The Group will stand at the forefront of the supply chain and industry and will strive to address these issues.

Changes in the system could also have a wide and severe impact on the industry as a whole, such as causing a reduction in drug prices. In the past, drug price revisions have simply acted as negative factors and were generally offset by business expansion. However, from now on, through such changes and deregulation, we will discover what kind of pharmacy is needed, and actively respond to this demand to become a company needed by patients and society, and evolve into a growth company.

The Group's stance on viewing change as an opportunity for growth remains unchanged even amid such large and continuous changes. We see this very moment as an opportunity for growth, and will continue to provide encounters that will make people welcome us to their communities.

## Closing remarks

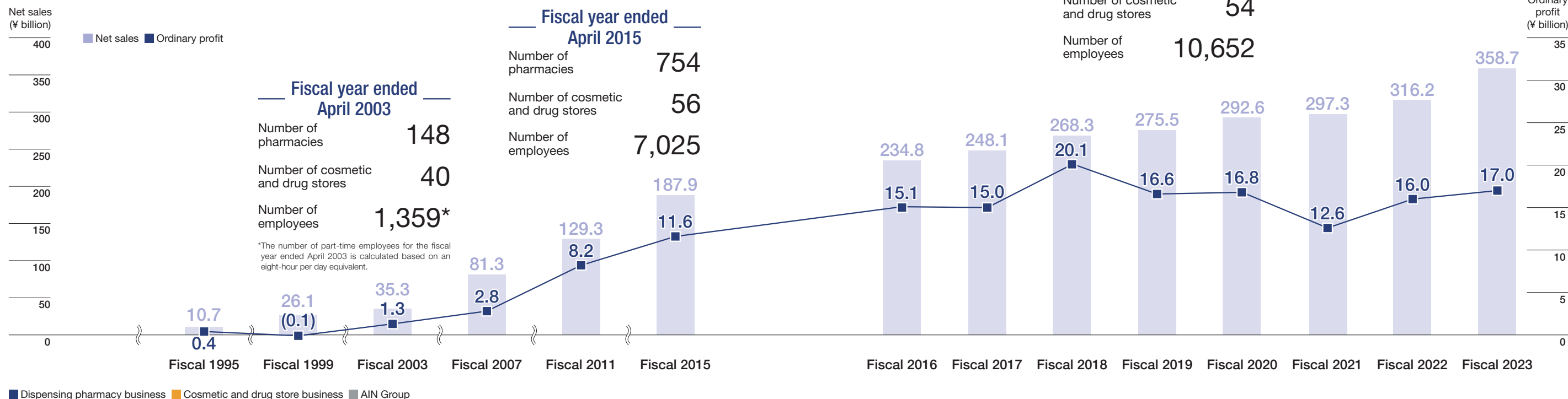
With regard to the arrest and prosecution of former officers of the Group, I would like to express my sincere apologies once again for the great inconvenience and concern we have caused to our customers, business partners, shareholders, our staff and their families, and all those involved in the Group. The Group will take this matter very seriously and address it once a judicial decision has been made at the upcoming trial.

We will continue to endeavor to become a company that is needed again by our stakeholders. We will strive to restore trust as soon as possible by maintaining even more sincerity in our attitude and in our actions, and striving to further advance our business.



## Value Creation History

As the environment and values surrounding people's health and beauty continue to change with the times, the AIN Group has continued to expand its business by improving the specialist skills of pharmacists and developing pharmacies in highly convenient locations nationwide. We are constantly striving to provide services that listen to the voices of each patient and customer. Today, we operate a total of more than 1,200 pharmacies nationwide, and our business continues to grow steadily.



**1969—**  
Went public 14 years after the start of drug store business

**1997—**  
Secured top position in dispensing pharmacy sector by net sales

**2015—**  
Transitioned to holding company structure

**2018—**  
Further accelerated digital transformation promotion and went into full swing

Established in 1969 as a company handling contracted clinical testing. In 1980, the Company launched its drug store business, the predecessor of its current business, and went public 14 years later.

Against the backdrop of the financial crisis of 1997, the Company began a review all of its businesses. Business restructuring centered on its pharmacies proved successful, and in 2002, the dispensing pharmacy business achieved the top net sales in the industry.

To strengthen its management base for further growth, the Company transitioned to a holding company structure in 2015 and accelerated the business development including the opening of new pharmacies and M&As under the dispensing pharmacy business, which resulted in the total number of pharmacies reaching 1,000.

The accelerating trend of digitalization across society is also occurring in the healthcare industry. The Group is working to improve convenience for patients and customers as well as operational efficiency through the promotion of digital transformation by actively developing apps.

- 1969**  
Started contracted clinical testing business
- 1980**  
Started drug store business
- 1993**  
Opened first pharmacy
- 1994**  
Listed on JASDAQ market  
Unified pharmacy name to AIN Pharmacy
- 1995**  
Established Dispensing Pharmacy Business Division

- 1998**  
Transferred the operation of the contracted clinical testing business
- 2002**  
Opened first cosmetic and drug store
- 2004**  
Transferred the operation of the general drug store outlets to implement a strategic shift to cosmetic and drug stores
- 2006**  
Established WHOLESAL STARS Co., Ltd. and started generic pharmaceutical wholesales
- 2009**  
Listed on 2nd Section of Tokyo Stock Exchange
- 2010**  
Reclassified to 1st Section of Tokyo Stock Exchange  
Listed on Main Board of Sapporo Securities Exchange

- 2015**  
The Company name changed to AIN HOLDINGS INC., following the transition to a holding company structure  
Acquired all shares of AYURA LABORATORIES Inc.
- 2016**  
Number of Group pharmacies exceeds 1,000

- 2018**  
Carried out first online pharmaceutical guidance in Japan
- 2019**  
Released official AINZ & TULPE app
- 2020**  
Opened AINZ&TULPE WEBSTORE
- 2022**  
Transferred to Prime Market, a new market segment of Tokyo Stock Exchange  
Launched the official AIN Pharmacy app, Anytime AIN Pharmacy  
Opened first overseas AINZ & TULPE store
- 2023**  
Started supporting digital drug prescriptions

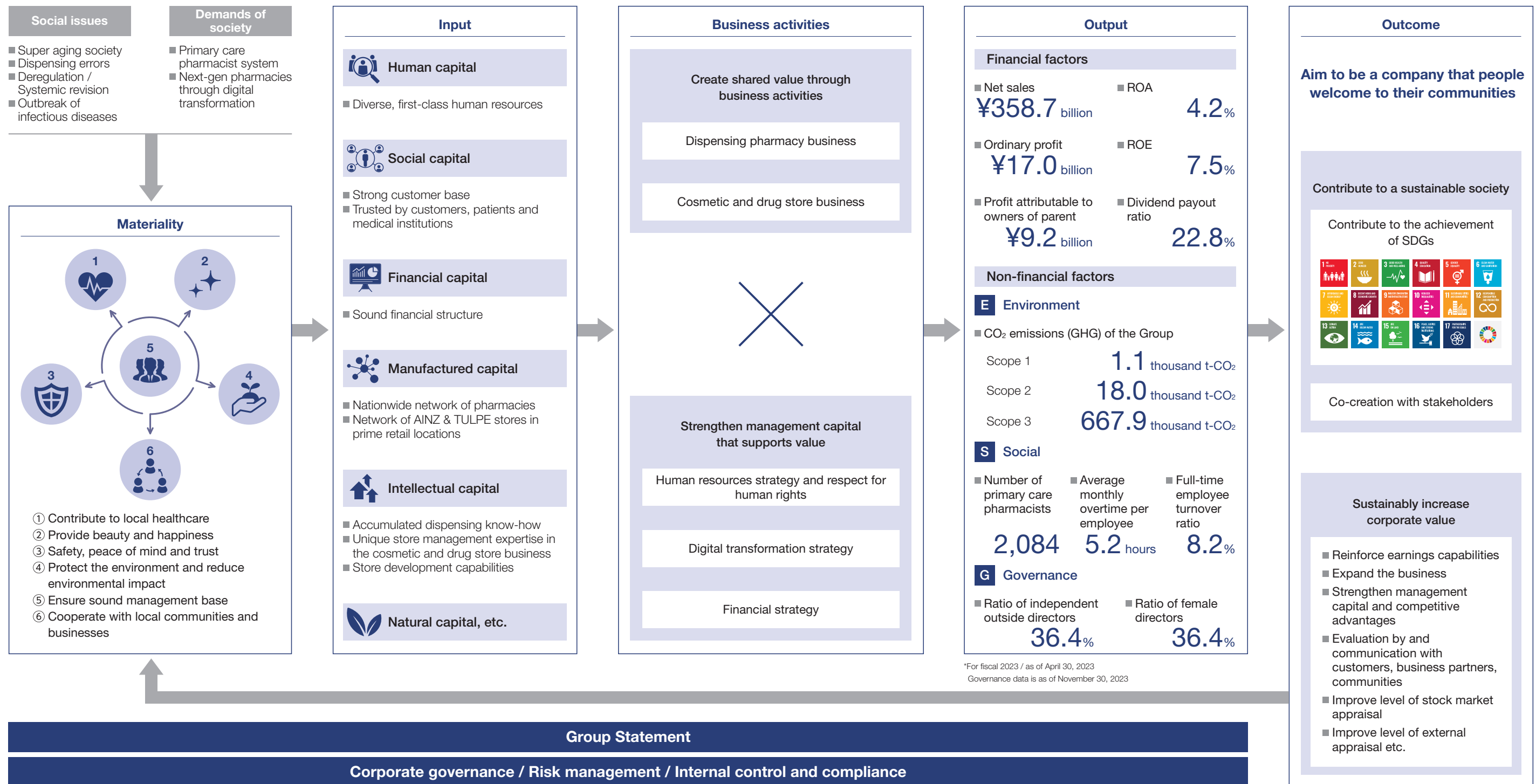
# Value Creation Story

—Dedicated to improving the health and happiness of our customers—

The AIN Group is dedicated to improving the health and happiness of our customers by supporting their health and beauty through its business activities. The Group has consistently strived to attain this goal, which is enshrined in the Group Statement, by taking a sound and ethical approach in all its corporate activities. Going forward, we will seek to grow in

a sustainable way by adjusting and responding to the needs of our customers and all our other stakeholders, while also practicing sustainability management\* that creates social, environmental and economic value.

\*A management approach based on the idea that contributing to the sustainable development of society also supports the sustainable development of the company





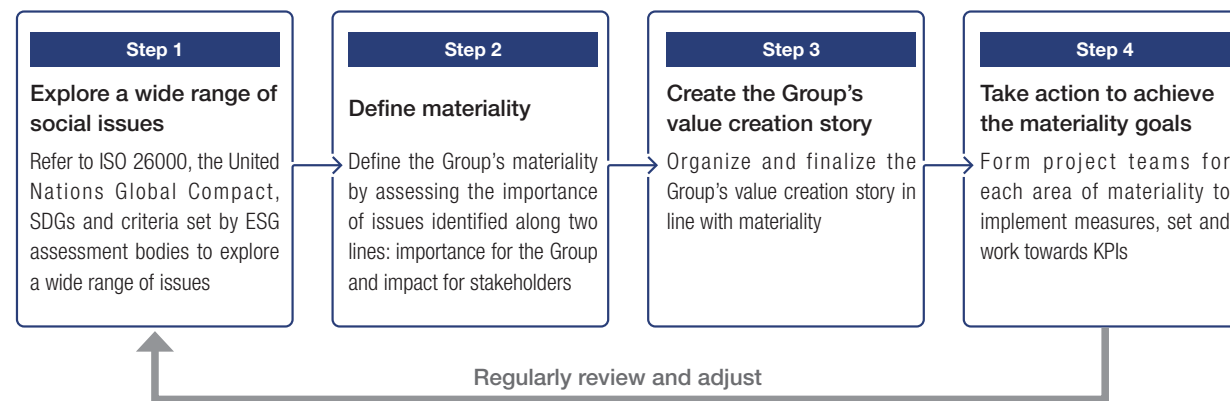
# Materiality

The AIN Group is committed to achieving sustainable development with society in order to meet the expectations and requests of customers and all its other diverse stakeholders. We have therefore identified and categorized a wide range of CSR, ESG and sustainability issues and assessed them from two perspectives – degree of importance to the Group and degree of impact on stakeholders – to define the Group's materiality.

## Process for defining materiality and formulating action plans

In December 2020, we used the following process to define and disclose the Group's materiality and the supporting value creation story.

We also established project teams for each area of materiality. The teams devised initiatives and set KPIs, which were disclosed in May 2021 and we are currently implementing the initiatives to achieve our targets.



## Sustainability governance

We have formed a Sustainability Committee to establish, promote and embed a sustainability management system across the Group. The committee discusses and determines policies and measures related to the

AIN Group's sustainability activities and regularly reports and puts forward proposals on key matters to the Board of Directors. The committee also utilizes Management Meetings to promote sustainability throughout the Group.



### Key sustainability issues discussed by the Board of Directors in fiscal 2023

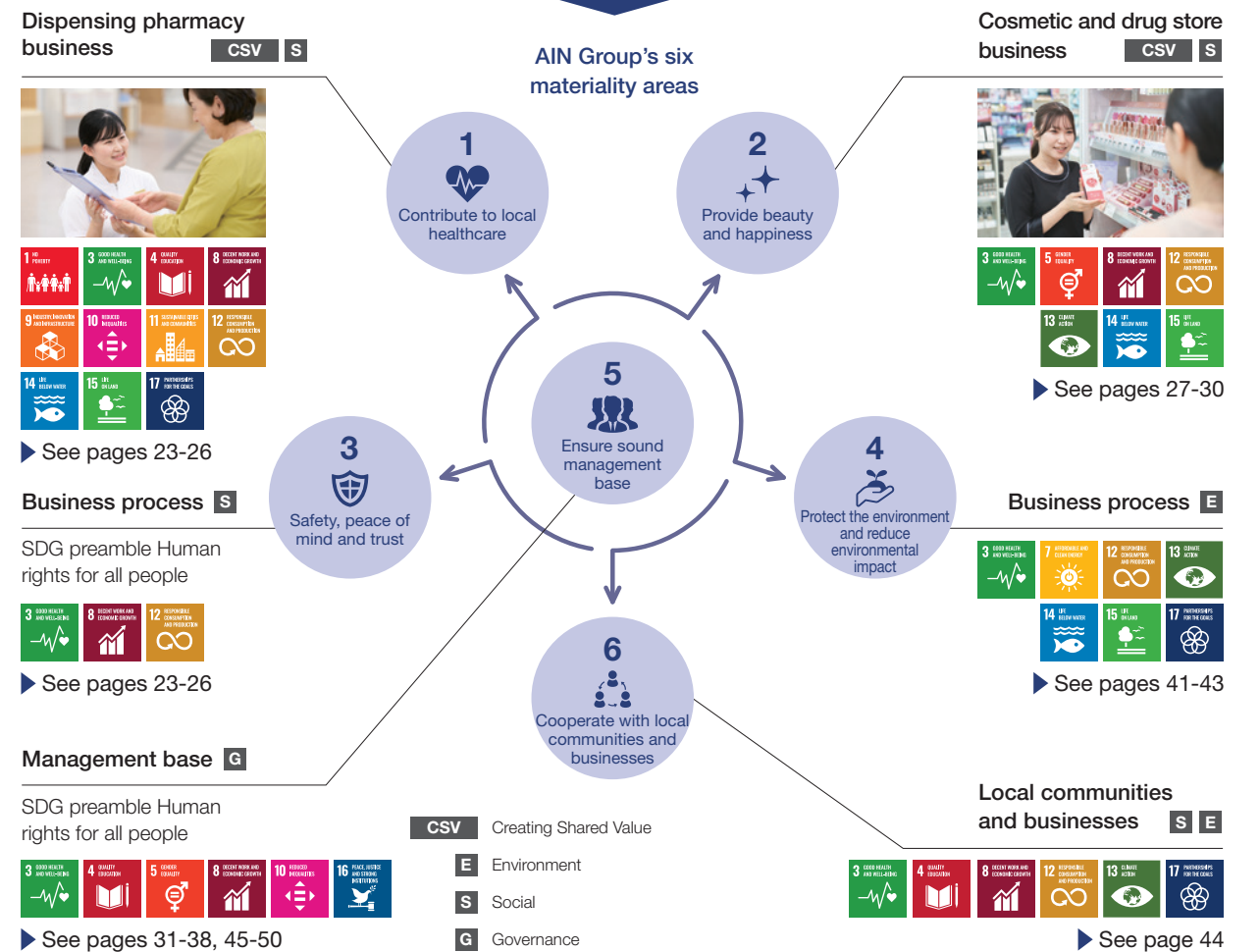
- Setting CO<sub>2</sub> emission reduction targets and disclosure based on TCFD recommendations
- Establishing tax policies and anti-bribery/anti-corruption policies
- Formulating CSR Procurement Policy and Guidelines
- Conducting employee engagement survey
- Progress with KPIs and initiatives related to materiality (mid-term and term-end)

## Our stakeholders and materiality

### Dedicated to improving the health and happiness of our customers

We have been dedicated to improving the health and happiness of our customers by supporting their health and beauty through our business activities. We consistently strive to attain this goal by taking a sound and ethical approach in all our corporate activities. Going forward,

we will seek to grow in a sustainable way by adjusting and responding to the needs of our customers and all our other stakeholders, while also practicing sustainability management that creates social, environmental and economic value.



Special Feature Dialogue with Experts (Held in July 2023)

## Implementing effective sustainability management amid drastic changes in the business environment



### Profit-making activities and sustainability management are two core business activities

Please tell us about the global sustainability and ESG trends, and how they are incorporated into your business strategies.

**Mr. Toshihiko Goto (hereinafter referred to as Goto)**

In June 2023, the International Sustainability Standards Board (ISSB) announced two standards related to sustainability in general (IFRS S1) and climate change (IFRS S2). In response, the Sustainability Standards Board of Japan (SSBJ) under the Financial Services Agency is scheduled to formulate Japan's domestic standards by the end of the year.

The problem in Japan is that, at present, it is not clear to what extent information disclosure is obligatory. While Europe is moving toward making extensive disclosure mandatory, the extent to which reporting will become mandatory in Japan will significantly change the responses of operating companies in the future. Generally, mandatory disclosure narrows the range of mandatory disclosure items. If the scope is narrow, not only will it not meet

the needs of global investors, but it may be difficult for operating companies to decide how much disclosure should be made at their discretion.

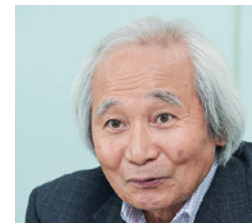
In any case, as international standards have now been established, companies' serious efforts will be important going forward.

**Ms. Mari Kogiso (hereinafter referred to as Kogiso)**

As Mr. Goto has pointed out, we recognize that the market is still rocking when it comes to corporate sustainability disclosure. Meanwhile, in Europe, among ESG investments, there are funds called Article 9 Dark Green funds, which also set the goal of creating an impact on society, and are attracting an inflow of cash. In other words, investors are expecting companies to not only disclose their ESG figures, but also to properly analyze and disclose the impact of their businesses on society.

To do so, they will likely need to develop a value creation story that outlines how their sustainability management will lead to profit.

Your company has put forth a value creation story of being dedicated to improving the health



**Toshihiko Goto**

Chief Executive of Sustainability Forum Japan



**Mari Kogiso**

Co-CEO of SDG Impact Japan Inc.  
Executive of Sustainability Forum Japan



**Toshihide Mizushima**

Representative Senior Managing Director  
Committee Vice Chairman of Sustainability Committee



**Rieko Kimei**

Director,  
Division Manager of Personnel



**Nobuyuki Takakura**

Director,  
In charge of Risk Management



**Hideki Fujiwara**

Senior Executive Officer,  
Division Manager of Operational Support



**Hisashi Yoshioka**

Department Manager of Personnel



**Reiko Ueki**

Department Manager of Sustainability Management

and happiness of its customers. I feel that the story will be easier to understand if you go into further detail on how this value creation story will lead to the expansion of your business and profit generation.

**Goto** It is no exaggeration to say that the TCFD, which is proposed internationally, is not only about risk management, but also a business strategy itself. We have entered an era in which the perspective of how an operating company makes

profit and implements sustainability management are questioned as a single concept.

While your company endorses the TCFD recommendations, considering that sustainability standards are about to be formulated in Japan, companies are at the cusp of sustainability management right now.

### Gathering opinions from young employees, relayed by upper management

**Mizushima** We are aware that the role of companies has come into question at a more fundamental level.

We did not originally have a company motto or corporate philosophy, but our founder, President Ohtani, has been conveying the importance of being sincere and humble since the Company's founding, and the employees who were working together naturally absorbed this view. However, as

the size of the Company has grown, employees have fewer opportunities to interact with the President. Therefore, in 2012, we created the Group Statement. The Group Statement summarizes the ideas, values, and purpose that are important to the Group, asserting that employees are the central players to the Company becoming a leading corporate group that continues to evolve for stakeholders. I thought it



was also necessary from a sustainability perspective to explain and systematize the fact that even without the President, the Company will keep on going.

**Goto** It seems that a company with a founder has a clearer vision. It would be a good idea for your company to make the wording of its vision to a more modern one. For example, I think the word wellbeing could provide wider implications. Wellbeing does not contradict the company motto or corporate philosophy, so I think pursuing what wellbeing means to your company will bring you closer to your vision.

**Takakura** To promote sustainability management, it is important that all employees, including officers, understand and sympathize with the concept and value of sustainability management. We also believe it is important to incorporate what we understand and sympathize with into our own work, and create a system that leads to more practical motivation. We are implementing certain initiatives on this front, but are aware of the need for further improvements.

**Goto** In my view, the most important factor in linking sustainability management to concrete action is instilling these ideas and initiatives throughout the company. From the perspective of the sustainability divisions that support this, it is important not only for divisions to lead the way, but also to have both managers and employees commit to conducting sustainability management. This internal penetration seems to be an issue for every company I have touched base with.

**Kogiso** I agree with Mr. Goto's points completely.

Also, from an investor's perspective, the message from the company president is also important, with survey results showing that in integrated reports, investors pay the most attention to the message from the president. It is important for the president to be able to clearly explain in their own words how the company ended up with its current business and what they envision 10 years down the line. Of course, the bottom-up approach within the company is important, but the president must encapsulate this and convey it in a powerful message.

In addition to the message from the president, the message from outside directors is also attracting

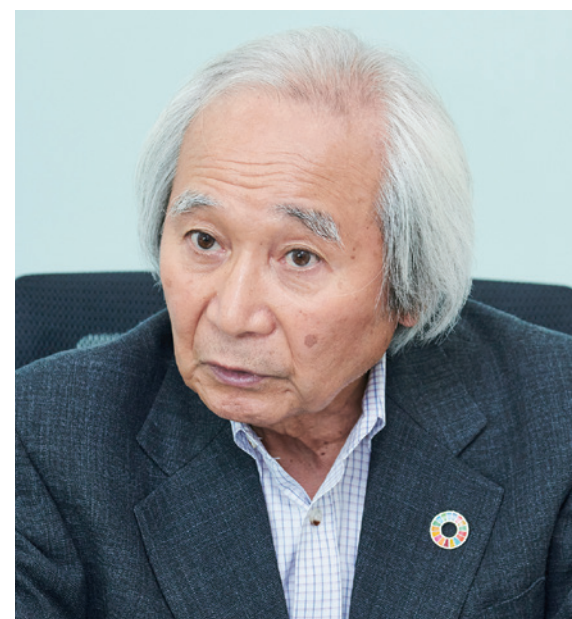
considerable attention. Shareholders see outside directors as their spokespersons, and also place importance on what they discuss with upper management, and what has changed as a result.

**Goto** Attention is on whether a company has long-term goals or plans. In the past few years, more and more companies have begun formulating long-term management plans that span over 10 years.

When it comes to planning for more than 10 years, the goal is not focused on sales. Following on from the TCFD, the new ISSB standards, issued in June, also stipulate the development of a transition plan. The current standards call for a transition plan on climate-related risks and opportunities, but the theme will shift to biodiversity, and then human rights and human resources. In other words, key ESG themes are shifting from climate change issues to sustainability.

In an industry like yours that does not emit much CO<sub>2</sub> through its businesses, I believe that in order for a company to grow, it needs to formulate a plan and disseminate it throughout the company in order to contribute to society.

One way to do this is to use the scenario planning method. There are multiple paths that can be taken, but the key is to involve all employees, from young employees to senior managers, when creating



the path. Another way is to encourage young employees to think up multiple paths, and have upper management make the final decision.

**Fujiwara** In fiscal 2022, we began calculating and disclosing CO<sub>2</sub> emissions with the aim of transitioning toward carbon neutrality. As we are a retailer, Scope 3 emissions account for most of our emissions. Recently, in calculating Scope 3 emissions, emissions per unit of production are calculated individually by collecting greenhouse gas emissions for each product from suppliers and reflecting this in their

Scope 3 emissions volume. Will this method become more widely used going forward?

**Goto** What the ISSB is looking for in Scope 3 emissions is not how emissions are reduced, but the volume of emissions. That said, if sales increase, Scope 3 emissions may well increase, so I think a good start would be to work with several business partners to reduce emissions one by one.

## Human capital means improving the capabilities of human resources

**Please tell us how you believe the two themes of human resource strategy and respect for human rights should be addressed, and how you think information on these initiatives should be shared.**

**Kogiso** When it comes to human resource strategies, the term human capital crops up often recently. Human capital is all about how to improve the capabilities of human resources. By creating an environment with employee benefits, diversity, and a corporate culture that enables each and every employee to demonstrate their abilities, companies can develop employees that can perform at their full potential, thereby increasing profitability through employee growth.

By incorporating the skills and competencies that your company needs and how you train and hire employees into human capital management, your company can create a more strategic story.

**Goto** In a post-industrial society, it is said that the source of profit is not equipment, but human resources. Therefore, human resources strategies are about how to increase profit.

Again, by discussing their vision and having all employees think about what path to take, a concrete image of the human resources that companies are looking for will fall into place. In a post-industrial society, business formats like yours

will become central in the social structure, so I think your company's approach to human resources will establish them as the human resources demanded by society in the 21st century.

**Kimei** We believe that human resources are an important part of our growth strategies, and as such, we are working to strengthen our human capital. In human capital management, what do investors look at first, and how should companies set KPIs?

**Kogiso** The benefits of human capital management need to be viewed from a long-term perspective, such as five or ten years, a point also understood by investors.

Lately, one thing I feel that is perceived differently in Japan compared to other countries is the mobility of human resources. Overseas, companies that sign employment contracts when needed with people who have the skills they want are highly rated. In contrast, since Japan has a different culture, the mobility of human resources is lower than that of overseas. As such, companies are required to explain how they are working on human resource development for the growth of the company.

I think it will be some time before KPI standards for human capital management are established. Rather, investors want to know about medium- to long-term strategic human resource policies and human resources strategies themselves.

**The establishment of human rights is the basis for the existence of modern companies**

**Kogiso** I highly appreciate the fact that your company is very serious about addressing human rights issues. Meanwhile, I am looking forward to seeing the results of the initiatives the Group plans to carry out in earnest going forward.

I would like to point out, in general terms, that in Japan, human rights efforts tend to be limited to overseas supply chains. However, there are various human rights problems in Japan as well, such as those involving technical intern trainees and gender issues. I think Japanese people's awareness of human rights will be a topic discussed more frequently going forward. Companies also need to start out by making steady efforts, such as conducting training on what human rights are.

**Goto** I think Ms. Kogiso has just made a very important point. The fact of the matter is Japanese people's awareness of human rights is very different from that of the rest of the world. Of course, discrimination, sexual harassment, power harassment, and LGBTQ issues are human rights issues, but fundamental human rights are civil liberties, equality rights, and social rights that were born when civil society was formed. Modern companies have built on these human rights, and joint-stock companies have developed while establishing freedom of ownership and labor rights.

Human rights due diligence is something that must be carried out in order to gain recognition as a company that respects human rights throughout the value chain. In Europe and the US, they are working toward fully mandating human rights due diligence. Human rights due diligence is especially important if your company is considering overseas expansion in Asia and other regions.

The key to human rights due diligence is to just start. Even if these moves are small at first, it is important to start by thinking about human rights issues that cannot be overlooked.

**Kogiso** With regard to diversity initiatives, your company is discussing employee benefits as an initiative to utilize human resources, a point I think



is also highly commendable. Investors recognize that the social category of ESG, such as human resources, human rights, and gender issues, will have an even bigger impact on profit than the environment.

Evaluations of social initiatives are also impacting new graduate recruitment. This is because the current generation looks at integrated reports when choosing companies. Going forward, I think it will be a very important perspective to think about how to present the topic of ESG to gen-Zs to make it more appealing.

**Yoshioka** As part of our human rights due diligence, we are working on human rights education for our employees. What do you think we should focus on to increase employee awareness?

**Kogiso** I think the key is to make people aware of the human rights risks to their companies. For example, with regards to LGBTQ issues, looking at what constitutes an inappropriate remark. Comments that were acceptable in the past could become risks that could lead to a decline in stock price.

**Goto** I think it is also important that the recognition of gender equality among officers is applied in company policies.



**Management leadership is tested in companies with grand dreams**

**Lastly, Mr. Goto and Ms. Kogiso, please give one final message, including your expectations and requests for the Company.**

**Goto** There is no doubt that the market in which your company operates will expand amid drastic changes in the industrial structure and changes in social structure caused by the declining birthrate and aging population. As you deepen your relationships with customers, you have big dreams for the company you wish to become. Also, since the industry is not yet dominated by a small number of players, I think AIN Group is a company that can talk of grand dreams achieved via ingenuity and the enhancement of your services.

In that sense, I would venture to say that you must strengthen your management capabilities for your company to grow.

**Kogiso** The AIN Group is connected to society with the message of being a company that people welcome to their communities, something I think is very wonderful. I think there are many messages from customers who receive your services, such as how they view your company based on their experiences.

If you can put more of that out there and show your connection with society in the form of real-life stories, I think it will get the message across even more. In that sense, I have high hopes for your efforts going forward.

**Mizushima** Thank you very much for your time today. Through this dialogue, we received objective evaluations and advice from you, which has provided a valuable opportunity to reaffirm what we need to do going forward to be a company that people welcome to their communities, as stated in our vision. We would like to strive to think for ourselves and put these points into practice.



Creating Shared Value through Our Business (CSV)

## Dispensing pharmacy business



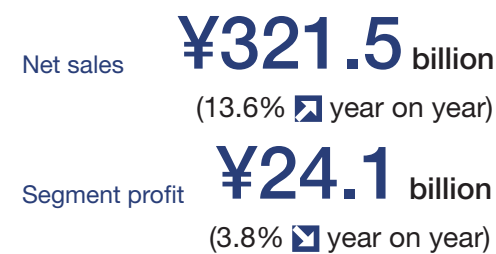
### Aiming to be a pharmacy that supports local healthcare services

Pharmacies and pharmacists are playing an increasingly important role as part of local infrastructure, including home-based healthcare, as indicated by the Ministry of Health, Labour and Welfare issuing its vision for patient-focused dispensing pharmacies in October 2015, and revising dispensing fees in April 2022. We are actively working to address home-based healthcare needs, coordinating with various medical professionals and upgrading our specialist skills so that dispensing pharmacies and pharmacists can fulfill the roles required by patients and local residents.



### Summary of the fiscal year ended April 2023

As a result of contributions from the addition of roughly 100 new pharmacies to the Group from Pharmacy Holdings Co. Ltd. in May 2022, as well as the steady growth of pharmacies opened in the previous fiscal year, net sales significantly exceeded those of the previous fiscal year. Going forward, we will continue to strengthen our functions as primary care pharmacists and pharmacies to ensure that patients can receive medical care in their familiar local community with peace of mind.



### Patients and AIN Pharmacies

The Group is actively working to open pharmacies in highly convenient locations, introduce systems for safe medication use, build training systems, and enhance the specialist skills of pharmacists. We are also actively responding to online eligibility checks and digital prescriptions promoted by the government.

### Medium-term actions

Amid the increasing complexity of prescription drug treatments due to the aging of the population and the advancement of healthcare, we will contribute to the realization of equal, sustainable, healthy and prosperous lives for local residents

### Key strategies

- Raising quality of dispensing pharmacies and improving specialist skills of pharmacists
- Top-line growth
- Strengthening human resources and operational capabilities
- Addressing advances in healthcare and technological innovation

### Related SDGs



Amid diversification in the ways patients can receive medication and the shift to digitalization, we are working to respond to patients' needs and create an environment in which they can continue prescription medication with peace of mind.

Selection and continued use of pharmacies					
	Location	Service	Safety	Expertise	Added value
Patients' perspective	<ul style="list-style-type: none"> <li>■ Close to medical institutions</li> <li>■ Close to home</li> <li>■ In areas frequented as part of daily life</li> </ul>	<ul style="list-style-type: none"> <li>■ Short waiting times</li> <li>■ Good customer service and hospitality</li> <li>■ Necessary stock of medications</li> </ul>	<ul style="list-style-type: none"> <li>■ Safe and secure</li> <li>■ Clear and understandable explanation of medications</li> <li>■ Trustworthy</li> </ul>	<ul style="list-style-type: none"> <li>■ Consultation with a pharmacist with specialist knowledge</li> <li>■ Collaboration closely with medical institutions</li> <li>■ Supports home-based healthcare</li> <li>■ Offering online pharmaceutical guidance</li> <li>■ Consultation on medications and health issues</li> </ul>	<ul style="list-style-type: none"> <li>■ Various delivery options for medications such as same-day delivery and locker pickup</li> <li>■ Supporting digital prescriptions</li> <li>■ Information on health issues and pharmacies</li> <li>■ Coordination with local governments</li> </ul>
Our strengths	<ul style="list-style-type: none"> <li>■ 1,200 pharmacies in highly convenient locations nationwide</li> <li>■ Opening pharmacies near hospitals, clinics, and other areas frequented as part of patients' daily life</li> <li>Top-line growth  See page 26</li> </ul>	<ul style="list-style-type: none"> <li>■ Pharmacy management by field managers (FM)</li> <li>■ Inventory management utilizing digital transformation</li> <li>Strengthening human resources and operational capabilities  See page 26</li> <li>Digital transformation strategy  See pages 35-36</li> <li>■ Enhancing customer service through training and understanding the value of the Group's existence</li> <li>Strengthening human resources  See pages 33-34</li> </ul>	<ul style="list-style-type: none"> <li>■ Enhancing training programs and supporting self-improvement</li> <li>Over 60 training programs available</li> <li>Raising quality of dispensing pharmacies and improving specialist skills of pharmacists  See page 25</li> <li>Strengthening human resources  See pages 33-34</li> </ul>	<ul style="list-style-type: none"> <li>■ Fulfilling functions of primary care pharmacists and pharmacies</li> <li>■ Certified as pharmacies with specialist functions</li> <li>Number of primary care pharmacists: 2,084*</li> <li>Number of specialized medical institution coordination pharmacies: 23*</li> <li>Number of community coordination pharmacies: 468*</li> <li>Number of health support pharmacies: 171*</li> <li>Number of pharmacies supporting home-based healthcare: 1,152*</li> <li>Online pharmaceutical guidance service available at all pharmacies</li> <li>Raising quality of dispensing pharmacies and improving specialist skills of pharmacists  See page 25</li> </ul>	<ul style="list-style-type: none"> <li>■ Proactive demonstration</li> <li>■ Participation in model project for digital prescription</li> <li>Addressing advances in healthcare and technological innovation  See page 26</li> <li>■ Official app – Anytime AIN Pharmacy</li> <li>■ Provision of information related to medicine and health through Ai-chan News Letter</li> <li>Number of local health events held: 275</li> <li>Improving communication with patients  See page 25</li> <li>■ Disaster relief agreement with local government</li> </ul>

\*As of April 30, 2023

## Raising quality of dispensing pharmacies and improving specialist skills of pharmacists

### Pursuing added value to become a pharmacy chosen by patients and contributing to local healthcare services

We will carefully build relationships of trust with every patient and local resident, and aim to be a company that people welcome to their communities.

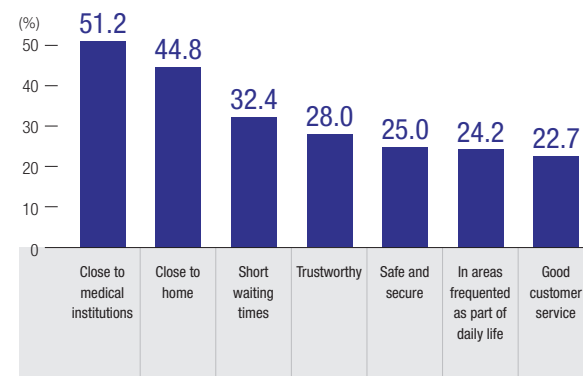
The results of our patient questionnaire show that when choosing a pharmacy, the key factors they consider are location (close to medical institutions/close to home/in areas frequented as part of daily life), service (short waiting times/good customer service), and trust, safety, and security.

The Group operates a number of pharmacies in prime locations, as identified by patients' top reasons for selection. By providing courteous customer service and support for specialized prescription medication, we aim to be selected as primary care pharmacists and pharmacies. In addition to focusing on human resource development, such as hospitality training, customer service training, and support for acquiring highly specialized external qualifications, we are also actively introducing systems to deliver drugs safely and securely and prevent mistakes.

In order to respond to the needs of each patient who uses our services on a daily basis, we will strive to train

highly specialized pharmacists and provide safety and security, and a variety of services, thereby contributing to local healthcare provision.

Key points to consider when selecting a pharmacy\*

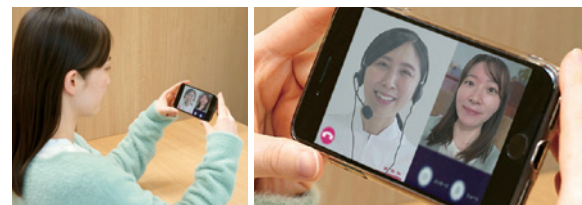


\*AIN Group research; n= 4,200 (multiple answers)

### Improving communication with patients

The official AIN Pharmacy app, Anytime AIN Pharmacy, which launched in February 2022, provides services that allow patients to send prescriptions directly to pharmacies, access to online pharmaceutical guidance, and medication advice services. By connecting patients with pharmacies and pharmacists in various situations, we are increasing convenience while also supporting them so that they can access prescription medication with peace of mind. In March 2023, we began distributing information through the AIN Pharmacy's Ai-chan News Letter, which provides information on medicine and health, based on the concept of "learning about your health and medicine anytime, anywhere, right at your fingertips."

Going forward, we will continue to pursue the provision of added value that only the AIN Group can provide.



Online pharmaceutical guidance via our app



<https://www.ainj.co.jp/app/>



Anytime AIN Pharmacy



<https://www.ainj.co.jp/column/>

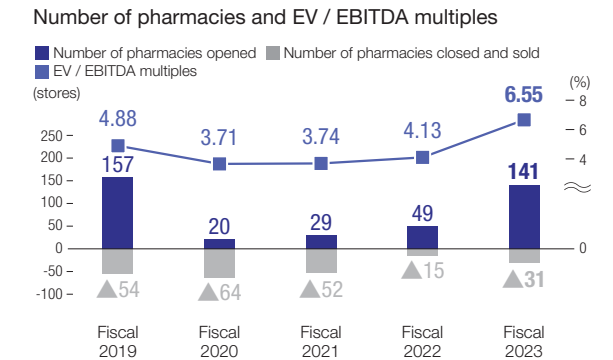


AIN Pharmacy's Ai-chan News Letter

## Top-line growth

Although we only opened 27 new pharmacies, due partly to the impact of material shortages, the addition of Pharmacy Holdings Co. Ltd. (now PHARMACY Co. Ltd., based in Hiroshima Prefecture), which operates roughly 100 pharmacies, into the Group through M&A, our total number of pharmacies nationwide came to 1,209 as of the end of the fiscal year ended April 2023.

Going forward, by carrying out a growth strategy focused on having stores in prime locations that also meet investment recovery criteria, we plan to expand the business through 30 new organic pharmacy openings (organic growth) and by acquiring 20 more pharmacies via M&As in the fiscal year ending April 2024. By also strengthening our pharmacy network in the Chugoku and Shikoku areas through the utilization of PHARMACY Co. Ltd.'s foundation, we aim to improve operational efficiency and make further contributions to local communities.



Total number of pharmacies (as of the end of fiscal 2023): **1,209**

## Strengthening human resources and operational capabilities

In November 2021, we introduced a field manager (FM) system, whereby around 100 pharmacists were assigned as FMs who moved away from engaging in pharmacy work to dedicate themselves solely to management. The placement of FMs was made possible by our ability to continuously recruit a large number of talented personnel and to generate sufficient profits to absorb allocation costs.

FMs are responsible for supporting pharmacies in terms of maximizing value delivery and mitigating business risks by improving patient services and ensuring legal compliance. The introduction of the FM system has already produced positive results, such as in fields where patients are increasingly using our pharmacies due to fewer waiting times and fewer drug shortages, and in fields where we have enhanced coordination with local communities through collaboration with various medical professionals.

Key roles of FMs

<b>Maximize value delivery</b>	<ul style="list-style-type: none"> <li>Improve pharmacy environments to increase patient satisfaction</li> <li>Strengthen primary care and specialist functions</li> <li>Deploying staff to optimal locations</li> <li>Handle home-based dispensing</li> <li>Manage budgets and performance</li> </ul>
<b>Mitigate business risks</b>	<ul style="list-style-type: none"> <li>Improve patient services</li> <li>Ensure rigorous legal compliance</li> <li>Analyze, direct and improve safety management</li> <li>Improve efficiency / Ensure compliance with operational manuals</li> <li>Train and develop pharmacy leaders and staff</li> </ul>

## Addressing advances in healthcare and technological innovation

The AIN Group is implementing measures that support government efforts to create advanced healthcare services. We are also actively participating in joint research with partners in the academic sector. In addition to the trial prescription drug deliveries using drones integrated with an online medical examination and pharmaceutical guidance services, in which AIN Pharmacy at Asahikawa Medical University teamed up with the university and Asahikawa City, we are also actively carrying out initiatives to fulfill our responsibility as the leading company in the sector and be a company people welcome to their communities, such as launching the digital prescription management service, which became operational on January 26, 2023, at our pharmacies nationwide.

In addition, we are steadily improving patient services and strengthening the Group's competitiveness, ensuring we are well-placed to respond rapidly and appropriately to the expected wide-ranging deregulation.



Reception machine for digital prescriptions



Creating Shared Value through Our Business (CSV)

## Cosmetic and drug store business



### Aiming to be the one and only comprehensive beauty outlets

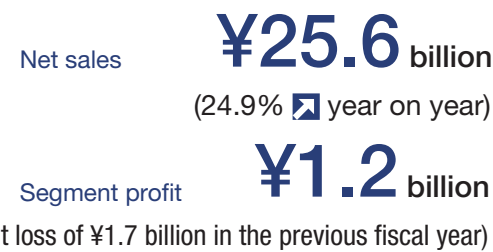
At AINZ & TUPLE, each store designs a sales area layout tailored to customer needs. By speedily updating them, we provide a sales area that meets customer expectations for beauty and happiness and brightens up their daily lives.

We will continue to aim to be the one and only comprehensive beauty outlets that people welcome to their communities.



### Summary of the fiscal year ended April 2023

Amid the impact of the COVID-19 pandemic, we re-evaluated our original brands and optimized costs. This, coupled with robust customer traffic owing partly to the easing of restrictions helped the business return to profitability. The Group opened eight AINZ & TUPLE stores and closed eight stores, resulting in a total of 78 cosmetic and drug stores at the end of the fiscal year.



### Customers and AINZ & TULPE

AINZ & TULPE aims to be the most accessible comprehensive beauty outlets for shoppers with an interest in beauty, offering a place where they can easily drop by and browse freely. We will actively respond to diverse needs and new markets by

### Medium-term actions

Always provide a place where customers can enjoy choosing new cosmetics and beauty items that enable a lifestyle that allows them to stay true to themselves

### Key strategies

- Reinforcing differentiation strategy
- Stepping up store openings in semi-urban markets
- Moving into the Asia market

### Related SDGs



opening stores in highly convenient locations and providing a unique merchandise lineup that creates unique encounters and experiences.

### Selection and continued use of stores

	Location	Product	Service
Customers' perspective	<ul style="list-style-type: none"> <li>■ In highly convenient locations</li> <li>■ In areas frequented as part of daily life</li> </ul>	<ul style="list-style-type: none"> <li>■ A wide variety of products to compare</li> <li>■ Feel likely to find a product that suits oneself</li> <li>■ Carrying trending products on social media</li> <li>■ Carrying exclusive products that can only be found at that store</li> </ul>	<ul style="list-style-type: none"> <li>■ Want to try products at brick-and-mortar stores after reading reviews and social media ratings</li> <li>■ Want to try various products before making a purchase</li> <li>■ Want to purchase at a good deal</li> </ul>
Our strengths	<ul style="list-style-type: none"> <li>■ Setting priority areas and opening flagship stores mainly in urban areas</li> </ul> <p>Number of prospective store openings</p> <p>Nationwide <b>180</b></p> <p>Stepping up store openings in semi-urban markets ▶ See page 30</p>	<ul style="list-style-type: none"> <li>■ Product mixes focused on beauty products</li> <li>■ Developing original brands</li> <li>■ Conducting sales of exclusive products by increasing awareness of AINZ &amp; TULPE</li> </ul> <p>Comparison of product mixes at AINZ &amp; TULPE and general drug stores</p> <p>■ Beauty products ■ Over-the-counter drugs and sanitary products ■ Foods and health foods ■ Daily necessities</p> <p>*1. Data is for the fiscal year ended April 2023 *2. Source: Monthly Report on the Current Survey of Commerce (fiscal 2023), Ministry of Economy, Trade and Industry</p> <p>Reinforcing differentiation strategy ▶ See page 29</p>	<ul style="list-style-type: none"> <li>■ Product mixes, development and sales area layouts tailored to the location of each store</li> <li>■ Providing information via the official app and social media</li> </ul> <p><b>Number of app users: 1.29 million</b> (as of April 30, 2023)</p> <p>Official AINZ &amp; TULPE app</p> <p>One-stop platform for loyalty points and coupons. There are also many useful functions such as purchase history.</p> <p><a href="https://ainz-tulpe.jp/app">https://ainz-tulpe.jp/app</a></p> <p>AINZ &amp; TULPE WEBSTORE</p> <p>Lineup of highly satisfactory products that are in tune with the latest trends. Customers can accumulate points and experience great deals.</p> <p><a href="https://webstore.ainztulpe.jp">https://webstore.ainztulpe.jp</a></p>

### Reinforcing differentiation strategy

Unlike general drug stores, we carry out store operations based on a strong lineup of beauty products and a unique sales area layout designed by staff at each store. This differentiation strategy is helping to reinforce the AINZ & TULPE brand.

In terms of product mix differentiation, we focus approximately 90% on beauty products centered on skincare and makeup. The cosmetics lineup ranges from reasonably priced cosmetics to premium cosmetics such as consultation-based and therapeutic products. As part of our differentiation strategy, we are also strengthening our range of original brands.

In store operations, we are focusing on creating stores that always stimulate customers by rapidly procuring and selling new products in tune with the latest trends and updating merchandise lineups and sales area layouts on a

daily basis. We are also harnessing digital transformation to steadily improve service levels. To this end, we launched an official app with a point card function, opened the AINZ & TULPE WEBSTORE, and are working to link the app and EC site with physical stores to attract new customers.



Differences between AINZ & TULPE and other retail formats

	AINZ & TULPE	Drug stores	Department stores
<b>Targets</b>	People who seek "inner and outer" beauty and health	Families, overseas visitors	Upper class, including overseas visitors
<b>Merchandise</b>	Beauty products account for approximately 90% of the lineup	Daily necessities and food account for more than 50% of the lineup	Brand products only
<b>Pricing</b>	Med- to high-price range	Low-price range	High-price range
<b>Sales areas</b>	Customers can personally try various products in stores	Displays various products	Brands sold through own boutique stores

### A comprehensive beauty outlet that offers beauty and happiness

Each AINZ & TULPE store is designed to meet the needs of its customers, and no two stores have the same merchandise lineup or sales area layout. By constantly updating product mixes and sales area layouts at a rapid pace, thus offering new products and new sales areas every time a customer visits our stores, we aim to provide a space that is always a source of joyment.

Recently, we have been able to open stores in prime locations, as our unique store concepts have been highly appreciated, leading to invitations for tenancy. Going forward, we will endeavor to continue providing beauty and happiness by actively opening new stores and refining our unique store development.



AINZ & TULPE KOBE MOTOMACHI



AINZ & TULPE CELEO KOKUBUNJI



AINZ & TULPE F BEAUTY HOKKAIDO BALLPARK

### Stepping up store openings in semi-urban markets

In the cosmetic and drug store business, earnings for the fiscal year ended April 2020 through to the fiscal year ended April 2022, which were significantly impacted by the COVID-19 pandemic, experienced notable difficulties. In the fiscal year ended April 2023, we launched a project dedicated to returning the business to profitability, worked on a restructuring program, and in addition to revising the criteria for opening new stores to include not only urban but also semi-urban areas (in/near stations close to residential areas), we set detailed targets and worked on this throughout the entire business division. As a result,

the number of stores that contribute to profits within a few months of opening has increased. Going forward, in order to further raise recognition of the AINZ & TULPE brand, we are considering operating a dominant strategy in our target areas.

By leveraging the unique store concepts that are a strength of AINZ & TULPE, and by designing stores tailored to location, customer demographics, and store size, we will increase awareness and strengthen the brand in target areas.

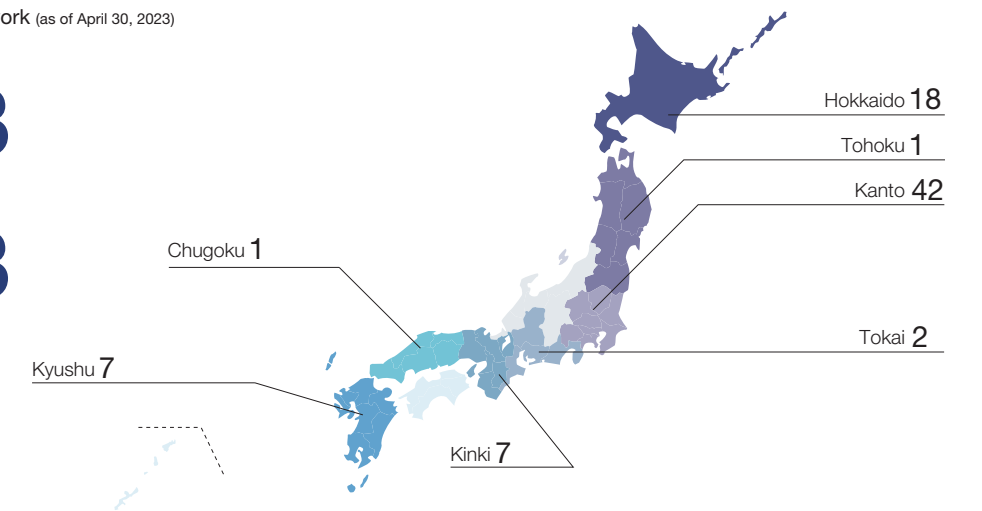
Cosmetic and drug store network (as of April 30, 2023)

Number of openings in fiscal 2023

8

Total number of cosmetic and drug stores

78



### Moving into the Asia market

We established a joint venture with Marubeni Corporation in March 2022, which then opened its first overseas store in Pavilion Bukit Jalil shopping complex in Kuala Lumpur, Malaysia in May of the same year. While considering opening stores in the Asian region, we ultimately decided to open a new store in Malaysia. The main reasons include (1) the high amount of spending on cosmetics and other personal care products per capita, (2) the high population of gen-Y and gen-Z consumers, which AINZ & TULPE targets, (3) the high-affinity consumers for digital technology, and (4) the small number of stores opened by Japanese rivals. After that, we opened AINZ & TULPE Sunway Pyramid in November and AINZ & TULPE Mid Valley Megamall in December of the same year. As of November 2023, we have three stores in the country.

Going forward, we will examine the overseas growth potential of AINZ & TULPE while utilizing the Marubeni Group's experience in overseas joint ventures and knowledge of next-generation business development.



AINZ & TULPE Sunway Pyramid (Malaysia)



Strengthening Management Capital that Supports Value

## Human resources strategy and respect for human rights



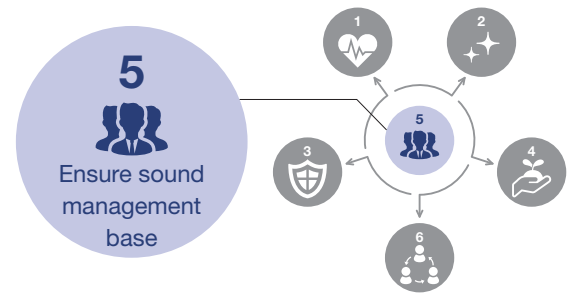
**Creating welcoming workplaces for everyone**

In May 2022, we established the Personnel Division to maximize human capital in the AIN Group, and have been stepping up our reorganization efforts, such as building a support system that respects diversity and helps employees to maximize their full potential, and expanding evaluation systems to support career development.

Amid the ever-diversifying environment and values surrounding our business, by supporting the development of our people into highly skilled human resources who can deliver reliable services to customers, we aim to provide opportunities to grow and develop, improve the health and happiness of customers, and drive innovation across the Group.

**Rieko Kimei**  
Director, Division Manager of Personnel

**Materiality**



**Medium-term actions**

- Pass on a corporate culture of sincerity and fairness and strengthen solidarity by sharing value
- Create workplace environments that enable each employee to maximize their full potential
- Increase productivity by harnessing the capabilities of each employee

**Key strategies**

- Change workplace culture by embedding the Group Statement
- Promote diversity and inclusion by hiring diverse personnel and effectively deploying human resources
- Train highly skilled personnel and create highly productive workplaces
- Step up efforts to improve employee health
- Implement measures to support human rights

**Related SDGs**



**Promoting diversity and inclusion**

Human capital is at the heart of the Group's value creation. Maximizing the full potential of each employee improves productivity and creates added value. Aiming to drive innovation by supporting diverse work styles and career development paths, the AIN Group is actively promoting diversity by creating working environments and organizations that are welcoming and motivating for all employees, regardless of gender, age, nationality, religion, background, physical ability or sexual orientation.

In addition, as a company with a large number of female employees, providing more opportunities for women in the workplace will significantly contribute to the AIN Group's growth. We are working to transform employee mindsets and provide more support for work-life balance in various ways, such as holding career training for female employees and managers, offering flexible working hours, and encouraging more male employees to use childcare leave.



**Empowering female employees**

The AIN Group has a large number of female employees, accounting for roughly 80% of the total workforce (as of April 30, 2023). We have established an environment where female employees can continue their careers during changes in their lives, such as marriage and childbirth. In July 2023, we received the Platinum Kurumin certification as a company that provides exceptional childcare support. The Platinum Kurumin is a certification that is awarded to Kurumin-certified companies that provide childcare support at an even higher standard. We are implementing measures such as introducing training courses designed to support career advancement with the aim of increasing the ratio of female managers. As a result, the ratio of female managers was 35.9% (targeting 40% by the end of April 2026).



Support for childcare and nursing care

	As of April 30, 2023
Childcare leave	648
Reduced working hours for childcare	1,081
Nursing care leave	5
Flexible working hours	637

Ratio of female directors / managers

	As of April 30, 2023	As of April 30, 2026 (target)
Ratio of female directors*1	25.0%	33.3%
Ratio of female managers*2	35.9%	40.0%

\*1. AIN HOLDINGS INC.  
\*2. Subsection chiefs, pharmacy managers, store managers and higher management grades

**Employing people with disabilities**

Employees with disabilities play an active role in various departments. As of April 30, 2023, the ratio of employees with a disability in the Company was 2.5%. We plan to work with Group companies to expand the available roles

and opportunities for people with disabilities, while also making improvements to the working environment, such as designing barrier-free offices and taking into account their needs.

**Post-retirement rehiring scheme**

We have set up a rehiring scheme for employees who are willing to continue working after reaching mandatory retirement age. The aim is to create an environment where older employees can continue to use their many years

of experience and hard-earned skills, while also passing on their expertise to younger generations. As of April 30, 2023, 131 employees were aged 65 or over.

**Recruiting mid-career human resources**

We are working to recruit mid-career human resources with the skills, expertise, and experience we need who can immediately make a contribution to the AIN Group. In response to developments in the operating environment, we are seeking to reinforce the Digital Promotion Division, the Personnel Division and other management

departments, and hire mid-career personnel with the newly needed experience and skills for each business. In fiscal 2023, 261 mid-career personnel joined the AIN Group. By making the most of their diverse careers, we will continue to drive innovation.

**Promoting health and productivity management**

**Health and productivity management**

We promote health and productivity management with the aim of vitalizing our organization by creating workplaces that help each employee improve their health and play an active role. Chaired by the President and Representative Director of AIN HOLDINGS, the Health and Productivity Promotion Committee is leading the implementation of measures that resolve health and productivity issues in the AIN Group.

Since 2021, we have expanded employee eligibility for stress testing and reinforced follow-up services provided by occupational health professionals and nutritionists.

In addition, the Group received certification as an Outstanding Health and Productivity Management

Organization, which recognizes leading companies in health and productivity management, for three consecutive years since 2021.

We believe that creating healthy and supportive workplaces for all employees will energize our whole organization and allow us to focus our energies on customers and patients.



AING Group's Health and Productivity Management Declaration  
▶ <https://www.ainj.co.jp/corporate/sustainability/social/employees/health-management.html#basic> (Japanese only)

Employee engagement survey

Since 2022, we have been conducting an engagement survey for all full-time employees. Through a cross-analysis of mental health and engagement, we are working to identify issues for individual employees and our organization and reinforce mentality management\*.

\*Mentality management: Striking a balanced approach to address both mental health and engagement

We will create an environment that not only ensures that each employee is healthy, but also enables them to maximize their full potential and play an active role in the workplace, thereby reinforcing to ensure sound management base set forth in our materiality initiatives.

Creating welcoming workplaces

In order to enable each employee, the foundation of our company, to maximize their full potential, we are expanding our follow-up system that helps employees maintain their physical and mental health, and carrying out various other measures to create a motivating work environment. Going

forward, we will continue to build a system to support opportunities for people of all backgrounds, including addressing human rights issues and risks, supporting work-life balance, providing childcare and nursing care schemes, and addressing the needs of LGBTQ employees.

Empowering each employee

To support the career development of our employees throughout their lives, employees in the AIN Group have the option to work from home, choose their working hours and request assignments in specific regions. We also started allowing secondary jobs or concurrent work arrangements, creating a system that enables employees to tailor work styles to their specific situations. In addition, in order to increase employee engagement, we provide opportunities for one-on-one meetings with superiors and opportunities to speak directly with officers, in addition to interviews conducted as part of biannual personnel evaluations. Through these efforts, we are also focusing on creating an environment that enables deeper communication. Moreover, in order to enable talented employees to maximize their full

potential other than assigned positions, we have established specialized career courses, such as professional roles, and made them known throughout the Company, actively supporting the diverse careers of employees.

	Fiscal year ended April 2023
Staff turnover rate*1	8.2%
Overtime*2	5.2 hours
Internal awards*3	18
Internal appointments	60

\*1. Turnover rate for full-time employees  
 \*2. Average non-statutory working hours (monthly, per person)  
 \*3. 40 nominations

Internal appointments system, Career Challenge

We offer job role transfers through an internal appointments system to provide employees the opportunity to think about career autonomy and change the course of their careers. In the fiscal year ended April 2023, 60 employees

voluntarily embarked on new careers. We also provide support for employees aiming to acquire specialist qualifications.

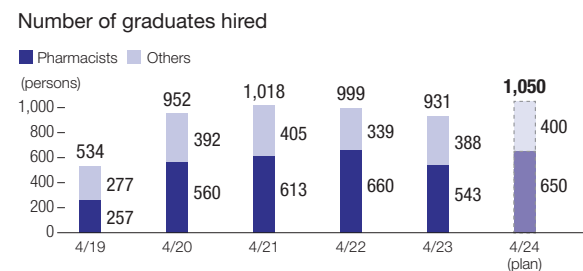
Strengthening human resources

For the Group, which continues to actively open new stores, hiring and developing talented human resources is of the utmost importance. We are also updating our training programs to further spread the culture of self-learning and to enable each employee to maximize their full potential. In addition to internal follow-up and grade-based training

carried out annually with the aim of enabling employees to acquire skillsets ranging from basic to specialized skills, in 2022 we also introduced external training (critical thinking training) where employees can learn through friendly competition and repeated discussions with employees from other companies in other industries.

Hiring of new graduates

In April 2023, a total of 931 new employees joined the Group, including 543 pharmacists and 346 medical clerical workers for the dispensing pharmacy business, 36 for the cosmetic and drug store business, and others who joined other Group companies. Going forward, we will continue to recruit talented human resources and improve the specialist skills of our pharmacists to support the Group's provision of services to customers and patients as a key part of local infrastructure.



Human resources training program

In keeping with the Group Statement, our corporate philosophy, we have established a personnel system that promotes employee autonomy and growth and also supports the active participation of diverse human resources. We will launch the system in the fiscal year ending April 2024, and we have also started a new human

resources development program. By also linking the skillsets of each employee to grades, and treating them based on the grade, we are creating a work environment that makes it easy for a variety of employees to play an active role regardless of age or background.

All officers and employees	Pharmacists	Medical clerical workers
<b>Basic training</b> <ul style="list-style-type: none"> <li>Sustainability training                             <ul style="list-style-type: none"> <li>*Training conducted on a total of eight themes: basic knowledge of sustainability, corporate philosophy, compliance (corporate ethics), respect for human rights, information security, employee health (health and productivity management), environment, business education</li> </ul> </li> <li>Women's career training</li> </ul> <b>Leadership (management positions) training</b> <ul style="list-style-type: none"> <li>Harassment training</li> <li>Overseas training</li> </ul> <b>Senior management training</b> <ul style="list-style-type: none"> <li>Senior management study seminars</li> <li>Sustainability management study seminar</li> </ul> <b>Main systems and support</b> <ul style="list-style-type: none"> <li>Personnel evaluation system / Employee grade system</li> <li>Internal appointments system</li> <li>Internal awards system</li> <li>Internal scholarship system</li> <li>Language learning support</li> </ul>	<b>Basic training</b> <ul style="list-style-type: none"> <li>New entrant training (basic etiquette training / basic competencies training) / On-the-job training</li> <li>Follow-up training</li> <li>Distribute learning support content                             <ul style="list-style-type: none"> <li>*Provision of tools to support the learning of pharmacists, such as feedback on pre-avoid activities at pharmacies, distributing of workbooks (pharmacology, understanding of pathology, dispensing fees) and insurance questions (insurance knowledge), and distributing drug information, and conducting work knowledge confirmation tests</li> </ul> </li> <li>Developing primary care pharmacists</li> </ul> <b>Specialist training</b> <ul style="list-style-type: none"> <li>Seminars on the enhancement of advanced pharmaceutical management functions</li> <li>Academic meetings, thesis publication</li> <li>Support for acquiring external qualifications                             <ul style="list-style-type: none"> <li>*We have established a support system to help acquire qualifications, such as Training-Certified Pharmacist, Accredited Pharmacist of Ambulatory Cancer Chemotherapy (APACC), and Accredited Pharmacist of Dementia</li> </ul> </li> </ul> <b>Leadership training</b> <ul style="list-style-type: none"> <li>OJT instructor training</li> <li>New entrant training instructor training</li> <li>National employee training</li> <li>Supervising pharmacist training</li> <li>Leadership and followership training</li> <li>New dispensing pharmacy manager training</li> <li>Pharmacy manager conference</li> <li>Field manager (FM) training</li> </ul> <b>Main systems and support</b> <ul style="list-style-type: none"> <li>FM system</li> </ul>	<b>Basic training</b> <ul style="list-style-type: none"> <li>New entrant training (basic etiquette training / medical clerical work training)</li> <li>Follow-up training</li> </ul>
		<b>Retail staff</b>
		<b>Basic training</b> <ul style="list-style-type: none"> <li>New entrant training (basic etiquette training / specialty training) / On-the-job training</li> <li>Follow-up training</li> <li>Registered salesperson training</li> <li>Product study seminars, Product merchandising meetings</li> </ul> <b>Leadership training</b> <ul style="list-style-type: none"> <li>OJT instructor training</li> <li>New store manager training</li> <li>Store manager conference</li> <li>Vice store manager conference</li> </ul>

Respect for human rights

The Group established the AIN Group Human Rights Policy in December 2021 to fulfill its responsibilities on the basis of respecting the human rights of all people affected by its business activities and has since been carrying out various initiatives.

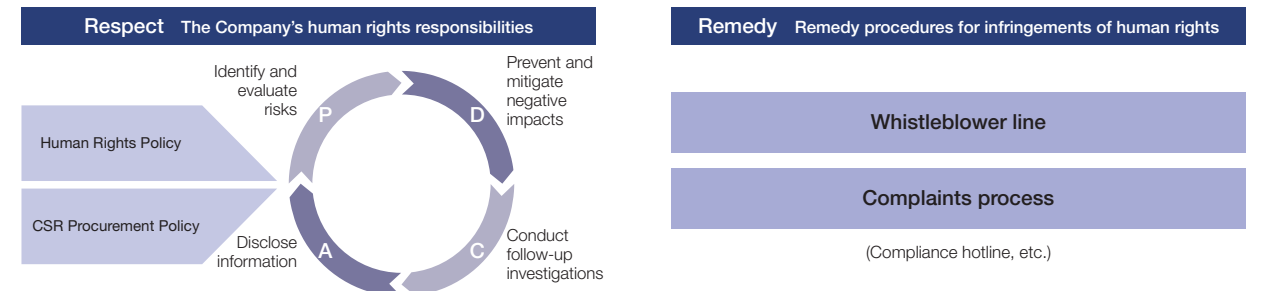
risks among employees," "addressing human rights risks in the supply chain," "human rights risks in the supply chain," and "creating access to remedies" and are continuously implementing due diligence measures. In November 2022, we established the CSR Procurement Policy and Guidelines to promote responsible procurement with our suppliers across the entire supply chain, with due consideration for human rights.

Since 2021, in accordance with the Respect and Remedy principles of the United Nation's Guiding Principles on Business and Human Rights, our due diligence measures focus on "addressing human rights

The AIN Group Human Rights Policy ▶ [https://www.ainj.co.jp/upload/humanrights\\_english\\_20211201.pdf](https://www.ainj.co.jp/upload/humanrights_english_20211201.pdf)

Details of the CSR Procurement Policy and Guidelines ▶ See page 44

Overview of human rights due diligence





Strengthening Management Capital that Supports Value

## Digital transformation strategy

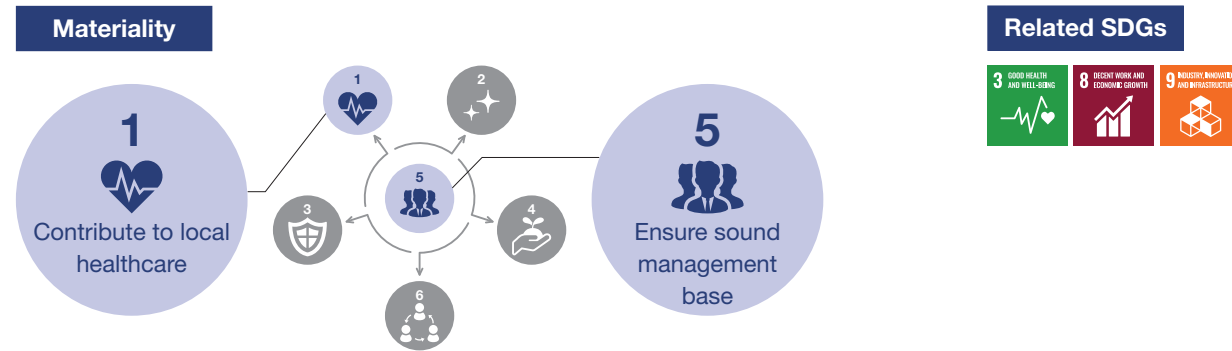


### Increasing corporate value by promoting digital transformation

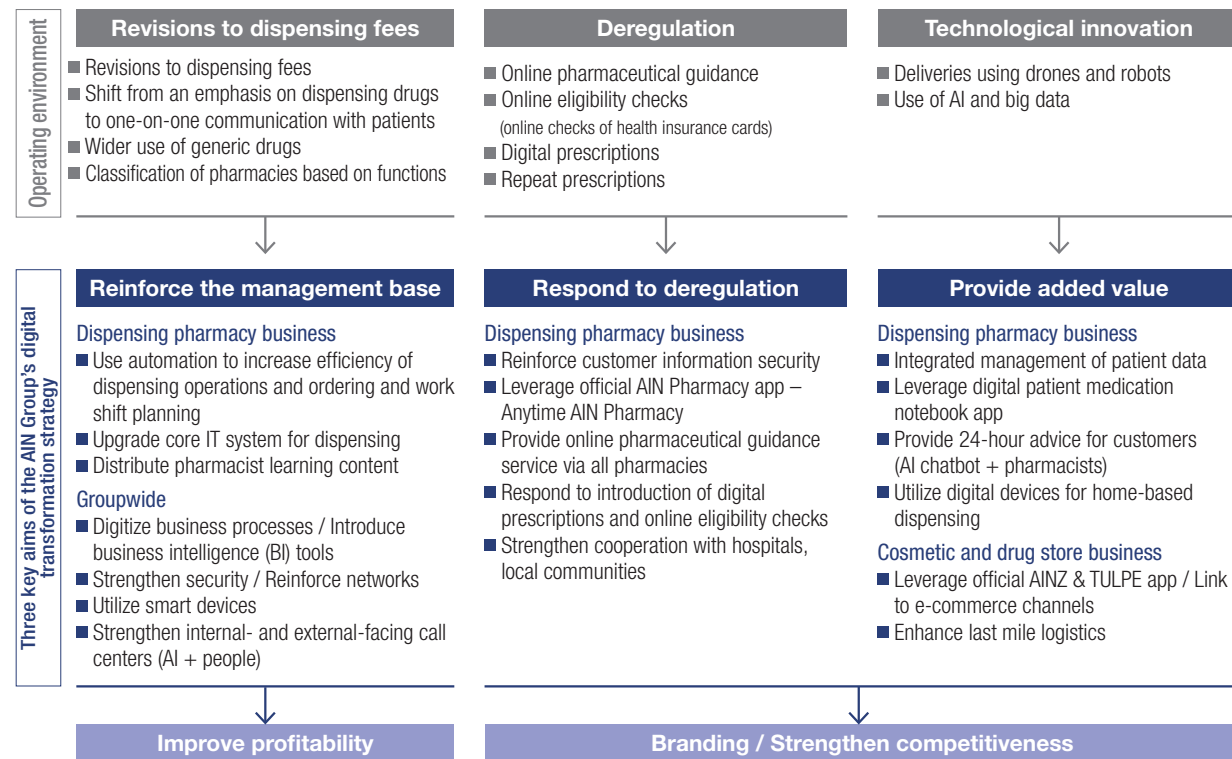
As the shift toward digitalization accelerates throughout society, digital transformation is also being promoted in the healthcare industry, such as the introduction of digital prescriptions and online eligibility checks.

In order to respond to the changing needs of our patients and customers, the AIN Group will continue to enhance corporate value by facilitating smooth communication through our app and other means, as well as improving the operational efficiency of our pharmacies and stores.

**Toshiya Wada**  
Senior Executive Officer,  
Division Manager of Digital Promotion



### Three key aims of the AIN Group's digital transformation strategy



### Increase corporate value

We have begun upgrading our core systems to enable us to make flexible management decisions. We are continuously hiring about 10 digital transformation personnel per year, and working to develop an environment for promoting digital transformation.

As the themes of digital transformation strategy aimed at improving operational efficiency and providing added value, we have set forth “reinforce the management base,” “respond to deregulation,” and “provide added value.”

### Reinforce the management base

In order to secure a stable management base in the rapidly growing pharmacy business, we have introduced scalable inventory order and accounting systems. In order to utilize

data, a management resource, in real-time, we will step up digital transformation initiatives by utilizing smart devices with robust security.

### Respond to deregulation

Since the requirements for online pharmaceutical guidance were relaxed in April 2022, the number of patients who want to receive online pharmaceutical guidance may well increase in the future. As such, our official AIN Pharmacy

app also supports online pharmaceutical guidance. We are also quickly responding to progress with digital transformation in healthcare, such as digital prescriptions and online eligibility checks.

### Provide added value

We will pursue the provision of added value through digital transformation, such as reducing waiting times through the use of the official AIN Pharmacy app, enhancing safety and

security via the integrated management of patient data, and preventing drug shortages through an automatic order system that utilizes AI.

### Concrete results

#### Improved operational efficiency

##### Dispensing pharmacy business

We updated our core system for dispensing drugs. This enables all stores to mutually gauge inventory in real-time, and we also expect this to enhance the functionality of our automatic order system in 2024, thereby leading to further improvements in operational efficiency. This has also enabled the smooth introduction of our systems at the stores that have joined the Group through M&As, enabling us to swiftly grasp store conditions.

##### Cosmetic and drug store business

With the aim of making communication smoother and reducing costs, we introduced cloud-based communication services linking the head office of the cosmetic and drug store business and each retail store. This has enabled smooth communication and spurred information sharing among stores.

We are also proceeding with the introduction of automated payment machines and self-checkout registers at all stores by 2025, and are building a system to enhance the functionality of our automatic order system.

#### Groupwide

In addition to overhauling our communication tools and strengthening security, we introduced a talent management system by creating a database containing personnel information.

We are also working to replace our accounting system in 2024 with the goal of making more flexible management decisions by having real-time visibility of the cash available.

#### Improved service

##### Official AIN Pharmacy app – Anytime AIN Pharmacy

We developed and launched an official app in February 2022 that allows patients to access pharmaceutical guidance online as well as at our dispensing pharmacies' physical locations.

In addition to online pharmaceutical guidance, the app also helps improve patient services, such as giving them the ability to message or video call pharmacists for advice and to send prescriptions directly to pharmacies, reducing waiting times. We are working to further improve convenience by linking our app with the LINE MINI App, launched in October 2023.

##### Official AINZ & TULPE app

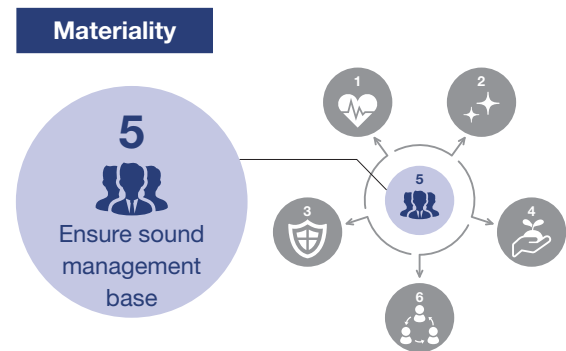
In addition to managing the loyalty points and coupons that can be used at AINZ & TULPE stores, the app provides information on sales events and cosmetics, and can also be linked with the AINZ & TULPE WEBSTORE, thereby improving customer convenience.

##### Field manager (FM) system

Following the introduction of the FM system, we have developed a dashboard dedicated to each FM. By checking the dashboard, FMs can monitor the performance of their respective pharmacies in real-time. This enables them to respond swiftly, thus contributing meaningfully to the efficiency of pharmacy operations and the improvement of patient services.

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## Financial strategy



### Using ample internal reserves to make aggressive investments

The AIN Group's vision is to be a company that people welcome to their communities. To realize this vision, AIN Pharmacy needs to be closely connected to patients as part of local infrastructure, and AINZ & TULPE stores need to be in highly convenient locations. This means that our store opening strategies are one of our most important issues.

We have two store opening strategies: organic openings and the use of M&As. In each strategy, we are working to reduce the debt risk posed by investments by setting clear criteria for opening new stores.

For organic openings, while we have set a target number of new store openings, the decision to open a new pharmacy or store is contingent on meeting the opening criteria, with particular importance placed on the period for return on investments. We regularly hold store strategy meetings attended by the President and Representative Director, store development managers, and other persons in charge to carefully examine targets for new store openings.

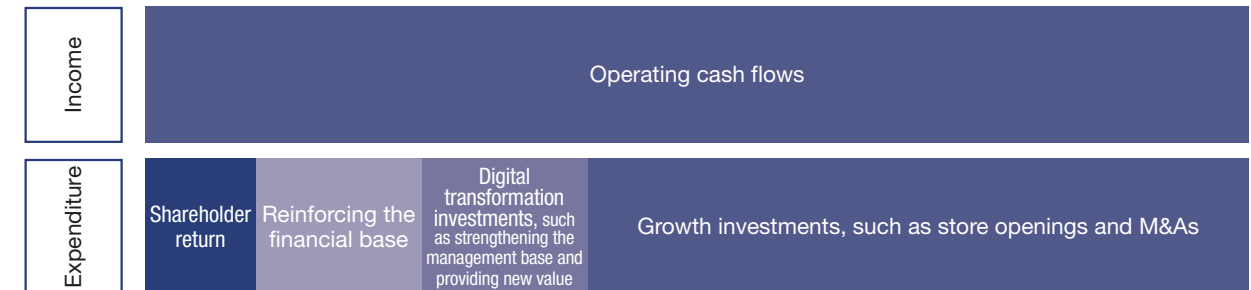
In terms of using M&A, in the dispensing pharmacy business, we have set investment criteria to be a pharmacy management company of at least a certain size that can achieve stable and sustainable operation and to be able to contribute to profits from the fiscal year following the acquisition using the EV/EBITDA multiple as an indicator. We are also aggressively expanding our cosmetic and drug store business. We invest in retail businesses that have a high affinity with AINZ & TULPE stores and generate a certain level of sales.

Due to acquisition prices, market trends, and other factors, it is not always possible to reach a mutual agreement on every deal. On the other hand, while calling for a shareholders' equity ratio of around 40% as our basic strategy, for the time being, we are working to secure internal reserves by setting a shareholders' equity ratio of at least 50% as one of our management indicators to enable us to make immediate and flexible decisions on strategic investment projects. Thus, creating a solid financial base.

For company-wide investments, our basic policy is to make investments within the scope of operating cash flow. With our operating cash flow at roughly ¥20 billion in the fiscal year ended April 2023, we have been actively making investments geared toward future growth, including M&As and digital transformation initiatives.

Acquiring many companies through M&As is what has enabled us to become the Company we

### Cash allocation



are today. Post-Merger Integration (PMI) is also an important indicator used to maximize the synergy effects of joining the Group. We thus carry out the integration of head office operations such as pharmacy operations, sales offices, accounting, administration, and personnel, while effectively maintaining good communication with them. In particular, we believe that the integration of systems is extremely important in improving operational efficiency.

### Investments for sustainable growth rather than short-term profit

The challenge we face in terms of finance is increasing both profit margins and ROE while making upfront investments. In the fiscal year ended April 2023, return on sales came to 2.6% and ROE to 7.5%. Going forward, we aim to increase return on sales to 3.1 to 4.1% and ROE to around 9 to 12% over the medium term while also focusing on sustainable business continuity, and have also set a long-term ROE target of 15%.

New store openings coupled with digital transformation investments that lead to the enhancement of store operations are vital to achieving sustainable growth of the Company. These moves contribute significantly to the provision of new value to customers, such as through our official apps, as well as to the visualization of management indicators in pharmacy and store management, and the improvement of operational efficiency. Through digital transformation promotion, we are also working to create systems that generate sustainable profits and reinforce the functions of the head office geared toward efficiently supporting the growth of human resources. With regard to digital transformation investments, rather than seeking short-term results, we want to improve profitability with an eye on the long term.

In the Group's dispensing pharmacy business, in addition to investments in growth strategies,

such as new pharmacy openings and M&As, and in providing new value, it is also important to make investments with a view to ensuring safety, an integral part of our business. Previously, we also actively invested in systems that enable the safe delivery of drugs to patients. Based on the business foundation established through these investments, we will foster a corporate culture where field managers (FM), who are dedicated management personnel, and pharmacy staff take the initiative and take on new challenges. This will facilitate the creation of new ideas and initiatives, giving the AIN Group a competitive edge.

The operating environment for the dispensing pharmacy business is changing dramatically at an accelerating pace, fueled by deregulation and the declining birthrate and aging population. While maintaining healthy finances as a company, we will continue to open new stores to respond to these changes and enhance store operating capabilities, thereby fulfilling the role required of pharmacies as part of local infrastructure. We believe that achieving continuous and stable business operations will lead to the realization of the Group vision.

### Medium- to long-term ROE targets

	23/4 performance	Medium-term targets	Long-term targets
<b>ROE</b>	7.5%	9-12%	15%
(Profitability) Return on sales	2.6%	3.1-4.1%	4.1%
×			
(Asset efficiency) Total asset turnover	1.6	1.6	1.6
×			
Financial leverage	1.8x	1.8x	2.3x



# Materiality Initiatives (Progress vs. KPIs)

In May 2021, to promote sustainability management, the AIN Group disclosed key initiatives, KPIs and targets for the fiscal year ending April 30, 2026 in each area of materiality. Officers were also assigned to each project to lead the roll out of measures to achieve the targets.

Materiality	Key measures	KPI	Targets for the fiscal year ending April 2026	Reports for the fiscal year ended April 2023
<b>1. Contribute to local healthcare</b> Operate pharmacies that contribute to healthcare that treats and supports people throughout the local community  <Project leader> Susumu Watanabe Senior Executive Officer, Deputy Division Manager of Dispensing Pharmacy Operations Management	We will fulfill the roles requested and expected of pharmacies to realize the proper use of medicines, and take the initiative in creating new mechanisms required by society.  Contribute to the sustainability of the social security system by controlling medical costs through efficient pharmaceutical usage and healthcare provision.  Protect the lives and health of employees and ensure the continued provision of pharmaceuticals and healthcare services, even during natural disasters, pandemics and other major events.	<ul style="list-style-type: none"> <li>Number of certified pharmacies*1</li> <li>Specialized medical institution coordination pharmacy</li> <li>Community coordination pharmacy</li> <li>Number of health support pharmacies*2</li> <li>Number of home-based services</li> <li>Number of primary care pharmacists</li> <li>Generic drug usage rate</li> <li>Continually improve BCP and strengthen execution capabilities</li> <li>Ratio of disaster base hospital pharmacies with emergency stockpiles</li> </ul>	<ul style="list-style-type: none"> <li>All pharmacies to obtain either one of the two certifications</li> <li>More than 50% of pharmacies to be certified as health support pharmacies</li> <li>All pharmacies to conduct at least 24 cases per year</li> <li>Deploy primary care pharmacists to all pharmacies</li> <li>Maintain usage rate at 85% or higher at all pharmacies</li> <li>Achieve 100% response rate for safety verification drills*3</li> <li>Ensure all pharmacies supporting disaster base hospitals have stockpiles</li> </ul>	<ul style="list-style-type: none"> <li>Specialized medical institution coordination pharmacies: 23</li> <li>Community coordination pharmacies: 468</li> <li>Health support pharmacies: 171</li> <li>Conducted at 85.2% of pharmacies</li> <li>Deployed primary care pharmacists to 86.2% of pharmacies</li> <li>Maintained usage rate at 70.8% of pharmacies</li> <li>95.8% *Conducted in March 2023</li> <li>[Created evacuation training manual (stores and head office divisions)]</li> <li>[Conducted evacuation training in all pharmacies]</li> </ul>
<b>2. Provide beauty and happiness</b> Provide beauty and happiness for people to enjoy every day of their lives in modern society  <Project leader> Tamami Maki Executive Officer, Division Manager of Cosmetic and Drug Store Business of AIN PHARMACIEZ INC.	Open stores with product ranges aligned with retail trends, consumer needs and local areas to empower people through beauty.  Develop innovative and original products that help customers create their own unique lifestyles.	<ul style="list-style-type: none"> <li>Use app to connect with users and offer more buying opportunities</li> <li>Number of manufactured clean beauty**1 original brand products</li> </ul>	<ul style="list-style-type: none"> <li>Official AINZ &amp; TULPE app</li> <li>Number of active users 1 million / month</li> <li>Number of page views 1.5 million / month</li> <li>50% of manufactured products</li> </ul>	<ul style="list-style-type: none"> <li>Official AINZ &amp; TULPE app</li> <li>Number of active users 331 thousand / month</li> <li>Number of page views 585 thousand / month</li> <li>4.6%</li> </ul>
<b>3. Safety, peace of mind and trust</b> Deliver safety, peace of mind, and trust through our day-to-day operations  <Project leader> Susumu Watanabe Senior Executive Officer, Deputy Division Manager of Dispensing Pharmacy Operations Management	Continually improve quality assurance and safety management systems to reinforce product quality and safety.	<ul style="list-style-type: none"> <li>Internal audit performance</li> </ul>	<ul style="list-style-type: none"> <li>Number of issues raised in pharmacy chain*4: 0</li> <li>All stores*5 with outstanding ratings*5</li> </ul>	<ul style="list-style-type: none"> <li>Issues raised at 52.2% of pharmacies</li> <li>70.0% of stores with outstanding ratings</li> </ul>
<b>4. Protect the environment and reduce environmental impact</b> Contribute to environmental protection and reducing environmental impact  <Project leader> Hideki Fujiwara Senior Executive Officer, Division Manager of Operational Support	Identify and reduce greenhouse gas emissions.  Protect the environment by reducing industrial waste.	<ul style="list-style-type: none"> <li>Build processes to ascertain the Group's greenhouse gas emissions</li> <li>Pharmaceutical disposal rate</li> </ul>	<ul style="list-style-type: none"> <li>&lt;2030 Targets&gt;</li> <li>Scope 1 and 2*6 CO<sub>2</sub> emissions</li> <li>Reduction rate of 30% compared to the reference year (fiscal year ending April 2022)</li> <li>Disposal rate of less than 0.02%</li> </ul>	<ul style="list-style-type: none"> <li>Scope 1: 1.1 (t-CO<sub>2</sub>, thousand)</li> <li>Scope 2: 18.0 (t-CO<sub>2</sub>, thousand)</li> <li>Scope 3: 667.9 (t-CO<sub>2</sub>, thousand)</li> <li>Reduction rate</li> <li>Total: 9.0%</li> <li>Emissions per unit of production*7: 19.4%</li> <li>0.06%</li> </ul>

Materiality	Key measures	KPI	Targets for the fiscal year ending April 2026	Reports for the fiscal year ended April 2023
<b>5. Ensure sound management base</b> Reinforce sound management base  <Project leader> Toshihide Mizushima Representative Senior Managing Director, in charge of Operations Management, Operational Support and Digital Promotion  Rieko Kimei Director, Division Manager of Personnel  Hideki Fujiwara Senior Executive Officer, Division Manager of Operational Support  Toshiya Wada Senior Executive Officer, Division Manager of Digital Promotion	Implement human rights initiatives.  Promote diversity and inclusion by hiring diverse personnel and effectively deploying human resources.  Step up efforts to improve employee health.  Reinforce systems to protect corporate information assets and increase system security; also establish regulations and standards and overhaul the management framework to ensure secure system operation.  Deepen engagement with various stakeholders and continually reinforce board oversight functions.	<ul style="list-style-type: none"> <li>Formulate human rights policy</li> <li>Develop awareness checklist*8 and set benchmarks for test rate and correct answer rate</li> <li>Kurumin / Platinum Kurumin certification*9 and Eruboshi / Platinum Eruboshi certification*10</li> <li>Ratio of female managers*11</li> <li>Formulate LGBT declaration</li> <li>All items needed to receive outstanding health and productivity management organization certification*12</li> <li>Number of security incidents</li> <li>Board of Directors evaluation points</li> <li>Ratio of outside directors</li> <li>Ratio of female directors</li> </ul>	<ul style="list-style-type: none"> <li>Disclose human rights policy</li> <li>Test rate: 100%</li> <li>Correct answer rate: 100%</li> <li>Maintain Platinum Kurumin, Platinum Eruboshi certification, etc.</li> <li>Female manager ratio: 40%</li> <li>Disclose LGBT declaration</li> <li>Secure certification (White 500*13)</li> <li>Major security incidents: 0</li> <li>Board of Directors evaluation points</li> <li>At least 4 or 5 points for all categories</li> <li>At least two-fifths of board</li> <li>At least one-third of board</li> <li>At least four each year at all pharmacies</li> <li>Disclose CSR Procurement Policy and Guidelines</li> <li>Hold briefings for companies in supply chain and monitor implementation</li> <li>Implement at 500 pharmacies</li> <li>Reduce CO<sub>2</sub> emissions from deliveries by 75% by cutting number of deliveries</li> <li>Reduce delivery inspection time by 75% by cutting number of deliveries</li> </ul>	<ul style="list-style-type: none"> <li>Formulated and disclosed the human rights policy in December 2021</li> <li>98.2%</li> <li>87.7%</li> <li>Received Kurumin certification / Platinum Kurumin certification / received Eruboshi certification (third level)</li> <li>35.9%</li> <li>Internal rules on personal appearance unified for men and women</li> <li>Received certification as an Outstanding Health and Productivity Management Organization for 2023 (large enterprise category)</li> <li>1*13</li> <li>An average of 4.4 out of 5 points for all categories</li> <li>One third of board (4 out of 12 members)</li> <li>One quarter of board (3 out of 12 members)</li> <li>[Conducted employee engagement survey in August 2022]</li> <li>Held 275 community events</li> <li>Formulated and disclosed them in November 2022</li> <li>Held briefings for companies in supply chain in July 2023</li> <li>Implemented at 49 pharmacies</li> <li>Achieved reduction of CO<sub>2</sub> emissions by 75%</li> <li>Achieved reduction of delivery inspection time by 75%</li> </ul>
<b>6. Cooperate with local communities and businesses</b> Promote the creation of a healthy society and the implementation sustainability activities together with local communities and the supply chain  <Project leader> Toshihide Mizushima Representative Senior Managing Director, in charge of Operations Management, Operational Support and Digital Promotion  Susumu Watanabe Senior Executive Officer, Deputy Division Manager of Dispensing Pharmacy Operations Management	Contribute to society through wellness activities and other initiatives to build mutually beneficial partnerships with local communities.  Promote sustainability across the entire supply chain by implementing CSR procurement*14.  Work with pharmaceutical wholesalers to build systems that reduce environmental impact.	<ul style="list-style-type: none"> <li>Number of community events held</li> <li>Formulate CSR Procurement Policy and Guidelines, raise awareness and implement them.</li> <li>Number of pharmaceutical deliveries at participating pharmacies</li> </ul>	<ul style="list-style-type: none"> <li>At least two-fifths of board</li> <li>At least one-third of board</li> <li>At least four each year at all pharmacies</li> <li>Disclose CSR Procurement Policy and Guidelines</li> <li>Hold briefings for companies in supply chain and monitor implementation</li> <li>Implement at 500 pharmacies</li> <li>Reduce CO<sub>2</sub> emissions from deliveries by 75% by cutting number of deliveries</li> <li>Reduce delivery inspection time by 75% by cutting number of deliveries</li> </ul>	<ul style="list-style-type: none"> <li>At least two-fifths of board</li> <li>At least one-third of board</li> <li>At least four each year at all pharmacies</li> <li>Held 275 community events</li> <li>Formulated and disclosed them in November 2022</li> <li>Held briefings for companies in supply chain in July 2023</li> <li>Implemented at 49 pharmacies</li> <li>Achieved reduction of CO<sub>2</sub> emissions by 75%</li> <li>Achieved reduction of delivery inspection time by 75%</li> </ul>

\*1 Certified pharmacies (specialized medical institution coordination pharmacy / community coordination pharmacy): A new function-based pharmacy certification system started in August 2021 as part of revisions to the Pharmaceuticals and Medical Devices Act.  
 \*2 Health support pharmacies: Pharmacies that meet certain standards set out by the Minister of Health, Labour and Welfare; pharmacies with basic primary care pharmacists and functions that also actively help people in the local community to independently maintain and improve their health.  
 \*3 Safety verification drills: Training to confirm the safety of employees and their families and safe conditions at pharmacies/stores as a matter of priority and to assess support systems to ensure the continued viability of medical service provision.  
 \*4 Clean beauty: Safe products that contain ingredients that are kind on the body and skin (mild formulas) and beauty items that contain natural or naturally derived ingredients (organic) and environmental ingredients (eco-friendly, cruelty-free).  
 \*5 All pharmacies: All pharmacies in the dispensing pharmacy business  
 All stores: Stores in the cosmetic and drug store business  
 Outstanding stores: Stores with three or fewer categories flagged in internal audits.  
 \*6 Scope 1: Direct greenhouse gas emissions by an enterprise  
 Scope 2: Indirect emissions from electricity, heat, and steam provided by other companies  
 \*7 Calculated in terms of Scope 1 + 2 emissions (t-CO<sub>2</sub>) / consolidated net sales (¥100 million)  
 \*8 Awareness checklist: A checklist administered to all Group officers and employees during sustainability training conducted once per year. We implemented tests under themes such as business education, compliance (corporate ethics), human rights, health of employees (health and productivity management), information security, the environment, etc.  
 \*9 Kurumin / Platinum Kurumin certification: A certification system developed by the Ministry of Health, Labour and Welfare based on the Act for Measures to Support the Development of the Next

Generation; companies with general employer action plans that meet certain standards with respect to progress versus targets are certified as Parenting Support Companies.  
 Furthermore, Kurumin-certified companies that implement more far-reaching initiatives receive special Platinum status from the Minister of Health, Labour and Welfare.  
 \*10 Eruboshi / Platinum Eruboshi certification: A certification system developed by the Ministry of Health, Labour and Welfare based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace; companies that meet certain standards with respect to supporting women's participation and career advancement in the workplace receive Eruboshi certification as outstanding companies. Eruboshi-certified companies that implement more far-reaching initiatives can receive special Platinum status.  
 \*11 Managers: Persons in Subsection Chief, Pharmacy Manager, Store Manager, or higher level positions  
 \*12 Outstanding health and productivity management organization: A program administered by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi recognizing outstanding companies in health and productivity management. The top 500 large enterprises for health and productivity management are included in the White 500.  
 \*13 We discovered an occurrence of some personal information leakage due to an unauthorized access to a subsidiary's website. We are carrying out thorough measures to improve security and working as a Group to further enhance our monitoring system and prevent recurrences.  
 See the following page for details.  
[https://www.ainj.co.jp/corporate/assets/upload/news/20230105\\_newsrelease.pdf](https://www.ainj.co.jp/corporate/assets/upload/news/20230105_newsrelease.pdf) (Japanese only)  
 \*14 CSR procurement: Responsible, socially- and environmentally-friendly procurement initiatives conducted by companies in collaboration with their suppliers (business partners and members of the supply chain)

## Initiatives to Tackle Environmental Issues

Protecting the environment and reducing environmental impact is one of the AIN Group's areas of materiality. To help realize a sustainable society, the Group is actively implementing initiatives related to protecting the environment and reducing environmental impact with stakeholders.

### Responding to climate change issues

Our Group's business operations include the operation of pharmacies and cosmetic and drug stores, generic drug wholesaling, sales of cosmetics, and operation of retail shops. Of these, all domestic pharmacies in the dispensing pharmacy business which account for 90% of the Group's overall net sales, and all domestic AINZ & TULPE stores in the cosmetic and drug store business were targeted, and based on multiple scenarios such as those envisioned by the Intergovernmental Panel on Climate Change (IPCC)\*2, a broad range of potential climate change-related transition and physical risks and opportunities were considered. We have begun analyzing the impact of particularly material risks and opportunities.



\*1 Task Force on Climate-Related Financial Disclosures, established by the Financial Stability Board (FSB) at the request of the G20 finance ministers and central bank governors; the task force published its recommendations in its final report in June 2017.



### Disclosure based on the TCFD recommendations

#### Governance

With respect to the climate change issues, to manage risks, formulate strategies, set targets, and deal with other matters related to the issue of climate change, we have established a Climate Change Response Team under the Sustainability Committee. The team's duties include gathering and tabulating data and formulating drafts. The Sustainability Committee then deliberates and finalizes these drafts. The Sustainability Committee was established with the approval of the Board of Directors

to promote sustainability management across all Group companies. The committee consists of the President and Representative Director, who serves as its chair, top management, the presidents of core Group companies, and officers in charge of individual divisions. It reports the contents of its deliberations to the Board of Directors (at least once per year). The Board of Directors decides on material issues and supervises the activities of the committee.

#### Risk management

The Climate Change Response Team, which was created as a subsidiary body of the Sustainability Committee, engages in discussions with related divisions and identifies Group-wide risks (risk assessment) (at least once per year). The Climate Change Response Team also coordinates with related divisions to achieve targets by appropriately managing initiatives, KPIs, progress, and other matters (risk management).

The contents of the risk assessment and management led by the Climate Change Response Team are reported to the Sustainability Committee, which engages in further discussion and deliberation, recognizing the report of the team as the shared understanding of the entire Group.

#### Strategy

##### Identified material risks and opportunities

Climate change risks and opportunities may include those classified into transition risks and opportunities arising from the shift to a low-carbon society, and physical risks and opportunities arising from increasingly severe extreme climate change events and increases in their frequency,

rising sea levels, and other long-term changes in climate patterns. After all of the risks and opportunities related to the Group were identified, those with particularly significant impacts were categorized as shown below.

Key items	Details of material risks and opportunities	
Transition risks and opportunities	Policy, regulatory, legal	Increased restrictions on greenhouse gas (GHG) emissions Other tighter restrictions on energy and resources
	Shifts in markets and technologies	Promote energy-saving initiatives and renewable energy programs
	Evaluation	Stakeholders (Expectations and concerns about responsible actions) Changes in attitudes and behavior of customers and patients
Physical risks and opportunities	Urgent	Increasingly severe abnormal weather events (Typhoons, torrential rain, other damaging wind and rain) Pandemics caused by climate change
	Chronic	Changes in rainfall and weather patterns (Increase in average temperatures, rising sea levels)

#### Scenario analysis

Our Group's business operations include the operation of pharmacies and cosmetic and drug stores, generic drug wholesaling, sales of cosmetics, and operation of retail shops. Of these, all domestic pharmacies in the dispensing pharmacy business which account for 90% of the Group's overall net sales, and all domestic AINZ & TULPE stores in the cosmetic and drug store business were targeted, and

based on multiple scenarios such as those envisioned by the Intergovernmental Panel on Climate Change (IPCC)\*2, a broad range of potential climate change-related transition and physical risks and opportunities were considered. We have begun analyzing the impact of particularly material risks and opportunities.

	2°C scenario	4°C scenario
Scenarios	SSP1 RCP2.6 IEA SDS	SSP5 RCP8.5 IEA STEPS
Scope	AIN HOLDINGS INC. and consolidated subsidiaries (All pharmacies in Japan of our dispensing pharmacy business and all AINZ & TULPE stores in Japan of our cosmetic and drug store business)	
Period	2030 / 2050	

\*2 An organization established by the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP). It is comprised of 195 countries and regions. The IPCC aims to provide scientific bases to the climate change-related policies of individual countries. It creates reports that summarize the latest scientific findings (published papers) regarding climate change.

#### Business impact assessment

In the 2030 +2°C scenario, the promotion of low-carbon and decarbonization efforts may increase the transition risks, especially those related to increased restrictions on greenhouse gas emissions (primarily in the form of carbon taxes, emissions trading systems, etc.).

Much of the Group's CO<sub>2</sub> (GHG) emissions (Scope 1 and 2) are derived from electricity consumption. Therefore, additional costs may be incurred from power usage volume, as well as prices and CO<sub>2</sub> emission coefficient, etc. during procurement. However, we have confirmed that we can prevent such costs from having a major impact on our finances, business strategies, etc., by minimizing the impact of carbon taxes and reducing power usage through energy saving measures and renewable energy usage.

In the 2030 +4°C scenario, increasingly severe abnormal weather conditions and changes in climate patterns (resulting in disasters affecting stores and offices, pandemics, etc.) may create increased physical risks.

We recognize that the role that our Group is expected to and called on is to protect the lives and health of its employees and to serve as part of the community's infrastructure by providing pharmaceuticals and healthcare services, no matter what the circumstances. To live up to these roles, as part of our disaster response measures, we are enhancing our BCP and making improvements on an ongoing basis, and carrying out climate change adaptation measures such as safety reporting drills for all employees and their family members, evacuation drills and reinforcement of the Group's logistics. Going forward, we will continue to further analyze regions and stores at high risk, and deliberate what further disaster countermeasures we should take.

If there are epidemics of infectious diseases caused by climate change, they may affect the dispensing pharmacy business in areas such as the prescription volume. As with our natural disaster response measures, we will also enhance our systems for providing healthcare services.

In this manner, we believe that we can thereby prevent such risks from having a major impact on our finances, business strategies, etc., by implementing measures that anticipate increased risks. At the same time, we believe that striving to further strengthen and enhance our resilience will enable us to continuously provide the medical care that is needed by patients, customers, and members of the community. This will contribute significantly to the development of our business.





**Indicators and targets**

We have decided to work actively toward the realization of carbon neutrality (net-zero CO<sub>2</sub> (GHG) emissions (Scope 1 and 2) from our own business activities) by 2050. To this end, we have selected CO<sub>2</sub> (GHG) emissions and the rate of conversion of energy consumption to renewable sources as evaluation indicators of our climate change response measures. Furthermore, we have set as our targets for 2030 a 30% reduction in CO<sub>2</sub> (GHG) emissions (Scope 1 and 2) compared to fiscal 2023 and a rate of conversion of energy consumption to renewable sources of 30%. With respect to reducing Scope 3 emissions, the Group is working with pharmaceutical wholesale partners on a trial

project to reduce the number of pharmaceutical deliveries to pharmacies.

Going forward, we will continue to enhance our information disclosure based on TCFD recommendations, and formulate business strategies and implement climate change mitigation and adaptation measures to respond to changes such as the formulation of climate change-related policies and legal regulations. We will seek to grow in a sustainable way and practice sustainability management that creates social, environmental and economic value by meeting the expectations and requests of our stakeholders through appropriate responses to climate change issues.

Indicators	Our vision: Fiscal 2031 targets
Assess Group-wide CO <sub>2</sub> (GHG) emissions and establish an operation system capable of appropriate management and supervision ■ Scope 1 and 2 CO <sub>2</sub> (GHG) emissions ■ Scope 3 CO <sub>2</sub> (GHG) emissions	Reduce Scope 1 and 2 CO <sub>2</sub> (GHG) emissions by 30%*3
Appropriately set targets and implement initiatives for achieving carbon neutrality ■ Rate of conversion of energy consumption to renewable sources	30%*4

\*3 Reduction rate compared to the reference year (fiscal 2022)

\*4 Rate of conversion of energy consumption to renewable sources to total power consumed compared to the reference year (fiscal 2022)

**Initiatives to protect the environment and reduce environmental impact**

**Trial project to reduce the number of pharmaceutical deliveries to pharmacies**

To reduce the greenhouse gas emissions of other companies associated with our Group's business activities (Scope 3), we are collaborating in a project with other companies.

In this trial project, we are leveraging the strengths of our Group to perform optimized inventory control for each individual pharmacy with the aim of improving the operational efficiency of our pharmacies and our pharmaceutical wholesalers, thereby improving labor productivity and motivating employees. In addition, we are giving consideration to the global environment by also

significantly reducing CO<sub>2</sub> emissions derived from fuel usage of delivery vehicles.

Going forward, we will continue to carry out initiatives for establishing a new sustainable pharmaceutical distribution model, thereby contributing to the entire healthcare and wholesaling industries.

Outcomes
Conducted at 49 pharmacies
Reduce CO <sub>2</sub> emissions by 75% by cutting number of deliveries



**Fiscal 2023 winter energy-saving and power-saving activities**

Over the four month period from December 1, 2022 to March 31, 2023, the national government and power companies called for cooperation in reducing energy consumption against the backdrop of power supply

shortages in Japan. We further reinforced our own energy conservation efforts to actively implement energy-saving and power-saving measures.

Details of the measures*5	Outcomes
■ Lighting power savings (spacing or turning off all lights) ■ Shortening hours when signs are lit ■ Eco-friendly driving of company vehicles ■ Air conditioner adjustment (optimizing temperature settings) ■ Turning off lighting on some product display racks ■ Posting of posters encouraging employees to conserve power	■ Reduced power consumption by 797,454 kWh ■ Reduced CO <sub>2</sub> emissions by 1,456 t-CO <sub>2</sub>



Use of spaced lighting in the Head office

Equivalent to the annual CO<sub>2</sub> absorption of roughly 105,000 Japanese cedars

\*5 The details of the measures varied depending on the office/store

ESG data (greenhouse gas (CO<sub>2</sub>) emissions) ▶ See pages 59-60

Environmental initiatives ▶ <https://www.ainj.co.jp/corporate/english/sustainability.html> (Information partially available in English)

**Initiatives to Tackle Social Issues**

The AIN Group is creating social value through its business activities and tackles social issues through a wide range of initiatives. In addition to responding to the COVID-19 pandemic, we are supporting communities in the event of natural disasters and co-working with local governments and other partners.

**Formulating the CSR Procurement Policy and Guidelines, and holding briefings for business partners**

**Materiality**

6. Cooperate with local communities and businesses

**Related SDGs**



In November 2022, based on our Group Code of Conduct and our Human Rights Policy, we formulated the AIN Group CSR Procurement Policy and the AIN Group CSR Procurement Guidelines. In July 2023, we held briefings for our business partners, requesting their understanding of the need for a supply chain management and cooperation of the establishment thereof, including our Group's sustainability management together with respect for human rights and fair business dealings, which have become even more important in recent years. We believe that in bringing about a sustainable society, it is important to engage in efforts throughout our entire supply chain, not just within the own Group. We will continue to promote sustainability activities together with our business partners.

**AIN Group CSR Procurement Policy (Formulated on November 1, 2022)**

The Policy sets out our clear stance on promoting CSR procurement across the Group's entire supply chain.

The goal of this policy is to foster greater understanding and adoption of CSR procurement within the Group and its business partners to achieve sustainable procurement.

<https://www.ainj.co.jp/corporate/sustainability/social/business-partners.html> (Japanese only)



**AIN Group CSR Procurement Policy**

1. We will conduct procurement operations based on compliance with applicable laws and regulations.
2. We will strive to secure and enhance our levels of quality and safety.
3. We will respect human rights and strive to appropriately manage occupational health and safety.
4. We will maintain the confidentiality of information regarding business partners learned through the course of our procurement activities, and appropriately manage and protect the intellectual property of our business partners.
5. We engage in environmentally-friendly procurement activities such as protecting the global environment and reducing our environmental impact.
6. We consider our business partners to be valuable partners and respond to them sincerely, and conduct fair, equitable, and transparent transactions. We build relationships of mutual understanding and trust and strive to create a sustainable society.

**Health activities for maintaining and promoting the health of communities**

**Materiality**

6. Cooperate with local communities and businesses

**Related SDGs**



**Early stage detection of atrial fibrillation to prevent strokes**

Since July 2022, we have used blood-pressure gauges with electrocardiographs to perform measurements for those who requested it in pharmacies and community event sites in the Kanto region. Analysis results produced by a specialized app together with check sheets filled out by pharmacists are used to confirm the risk of atrial fibrillation. We provide recommendations for further examinations and feedback to local doctors, etc. as necessary.



**“Healthy Heart Day” and “Healthy Heart Week 2023” awareness-raising activities to help prevent heart disease and strokes**

Between July 29 and August 10, 2023, all AIN Group pharmacies took part in activities for raising awareness regarding the prevention of heart disease and strokes. Awareness-raising posters were put up in pharmacies, and as part of our “Check Your Blood Pressure Campaign,” pharmacists used check sheets to provide advice regarding blood pressure according to attributes, and when necessary, to recommend medical examinations.

The AIN Group will continue to hold medical and health awareness-raising activities and to contribute to maintaining and improving community health.



# Corporate Governance

The AIN Group assumes responsibility for people's health and the well-being of the wider community through its business activities. We promote a highly efficient and transparent management system and implement ongoing initiatives toward enhancement of corporate governance.

## Compliance with the Corporate Governance Code

AIN HOLDINGS has implemented all of the principles in Japan's Corporate Governance Code, which was revised in June 2021.



Please see here for more details about our Corporate Governance Report.

▶ [https://www.ainj.co.jp/corporate/assets/upload/20231128\\_corporategovernance\\_english.pdf](https://www.ainj.co.jp/corporate/assets/upload/20231128_corporategovernance_english.pdf)

## Basic policy on corporate governance

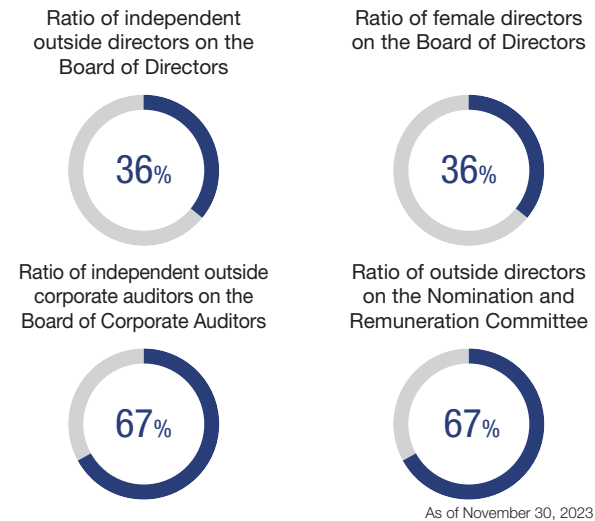
As a Group that operates pharmacy business and a chain of cosmetic and drug stores, which are both responsible for people's health, the Group recognizes that it is essential to ensure robust and transparent business activities that put the highest priority on compliance.

To achieve that, we adopted the corporate auditor system to oversee major business decisions and business execution, as well as all other areas of corporate management.

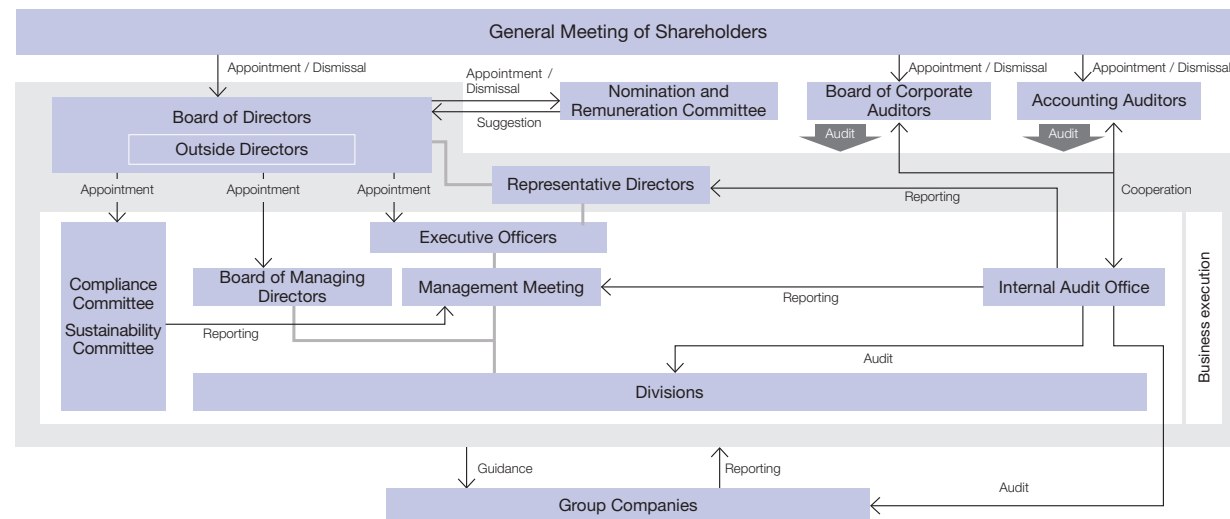
### Outline of corporate governance

Corporate governance structure	Corporate Auditor System
Chairman of the Board	Kiichi Ohtani (President and Representative Director)
Number of directors	11 (including 4 outside directors)*1
Chairman of the Board of Corporate Auditors	Standing corporate auditor Koichi Kawamura
Number of corporate auditors	3 (including 2 outside corporate auditors)*1
Board of Directors meetings (Attendance of outside directors)	Number of meetings: 11 (92.5%)*2
Board of Corporate Auditors meetings (Attendance of outside corporate auditors)	Number of meetings: 12 (100%)*2
Voluntary advisory committee of the Board of Directors	Nomination and Remuneration Committee
Executive officer system	Yes

\*1 As of November 30, 2023 \*2 Fiscal year ended April 2023



### Corporate governance structure



## Outside directors and outside corporate auditors

The Board of Directors is comprised of eleven members, including four outside directors. Two of the Company's three corporate auditors are outside corporate auditors.

There are no conflicts of interest between the Company and its outside directors and outside corporate auditors. The activities of the outside officers and the reasons for their appointment are indicated below.

### Outside director activities and reason for the appointment [Attendance at the Board of Directors meetings\*]

Name	Activities / Reason for the appointment
<b>Noriko Endo</b> Outside Independent [100% (11/11)]	Ms. Endo has extensive knowledge gained from experience in the editing department of an economics magazine in charge of various fields including retail and distribution sectors. She is also well-versed in energy and environmental issues, having conducted public policy research on energy policy. In addition, she possesses deep knowledge of corporate management in telecommunications, railroad, department store and other businesses from her experience as an outside director at other listed companies, and proficiently fulfills her role in the effective supervision of the Group's business by actively providing opinions and suggestions from different perspectives in discussions about business strategy, board resolutions and other topics. As a member of the Nomination and Remuneration Committee, she is also involved in discussions regarding officer development and the scope of executive remuneration, and provides appropriate supervision of the Group's corporate governance.
<b>Junro Ito</b> Outside Independent [91% (10/11)]	Mr. Ito has abundant knowledge on management as a representative director of a major retailer, and on ESG (Environment, Social and Governance) and Sustainability as a Chief Sustainability Officer of the retailer in charge of promoting sustainability throughout the entire value chain. He also has broad knowledge regarding risk management, accounting and finance, social marketing, and proficiently fulfills his role in the effective supervision of the Group's business by actively providing opinions and recommendations from a professional perspective regarding business strategy, risk management, sustainability management and important matters in the cosmetic and drug store business.
<b>Shigeru Yamazoe</b> Outside Independent [100% (9/9)]	Mr. Yamazoe has abundant knowledge on management based on his experience as the director of a major trading company. He also has expertise knowledge gained from his experience as a CEO in charge of electric and plant of said company group, and is also well-versed in overseas management. He proficiently fulfills his role in the effective supervision of the Group's business by actively providing opinions and recommendations from a professional perspective regarding business strategy, financial affairs and important matters in the cosmetic and drug store business. As a member of the Nomination and Remuneration Committee, he is also involved in discussions regarding officer development and the scope of executive remuneration, and provides appropriate supervision of the Group's corporate governance.
<b>Hideki Kuriyama</b> Outside Independent [78% (7/9)]	Mr. Kuriyama possesses broad knowledge in organizational governance and human resources development, having served as the manager of a professional baseball team and Japan's national team, as well as a professor in the economics faculty of a university. He proficiently fulfills his role in the effective supervision of the Group's business by actively providing opinions and recommendations from a professional perspective regarding important matters related to legal affairs, risk management, and sustainability management.

\*Fiscal year ended April 2023

### Outside corporate auditor activities and reason for the appointment

Name	Activities / Reason for the appointment
<b>Akira Ibayashi</b> Outside Independent	Mr. Ibayashi possesses abundant specialist knowledge regarding financial affairs gained from his experience as a director of a financial institution and a corporate auditor. He proficiently fulfills his role in the effective supervision of the Group's business by actively providing opinions and recommendations from a professional perspective regarding business strategy, financial affairs and important matters related to legal affairs and risk management.
<b>Osamu Muramatsu</b> Outside Independent	Mr. Muramatsu possesses abundant specialist knowledge regarding financial affairs gained from his experience as a director of a major securities firm. He proficiently fulfills his role in the effective supervision of the Group's business by actively providing opinions and recommendations from a professional perspective regarding business strategy, financial affairs, and important matters in the cosmetic and drug store business.

## Selection and dismissal of directors, nomination of corporate auditors

When appointing directors, the Board of Directors endeavors to give due consideration to diversity by taking into account a broad range of factors, such as the individual's balance of capabilities covering each function and business of the Group, and the need to have the right person in the right position to ensure accurate and rapid decision-making.

To enhance fairness, transparency and objectivity in procedures for appointing and dismissing directors and for deciding on executive remuneration, the Company has established the Nomination and Remuneration Committee as an advisory body for the Board of Directors. This committee discusses succession plans, executive remuneration system, and other matters. Over half of

the members of the Nomination and Remuneration Committee are independent outside directors to ensure the independence of the committee and enable it to provide accurate advice and recommendations.

Corporate auditor candidates are nominated based on a comprehensive set of criteria from the perspective of recruiting the most qualified person for the right position, while also ensuring a balance of various perspectives related to expertise in finance and accounting, knowledge about the Company's businesses, and corporate management. Based on the above policies, the Board of Directors makes decisions on candidates put forward by the President, with the consent of the Board of Corporate Auditors.



Skill matrix

Gender	Name	Position / Responsibilities	Attributes	Main skills					
				Management experience	Finance	Legal affair and risk management	Sustainable management	Dispensing pharmacy business	Cosmetic and drug store business
Male	Kiichi Ohtani	President and Representative Director / Chairman of the Board of Directors / Chairman of the Nomination and Remuneration Committee		●	●		●	●	●
Male	Shoichi Shudo	Representative Senior Managing Director		●				●	
Male	Toshihide Mizushima	Representative Senior Managing Director		●	●		●	●	●
Female	Miya Oishi	Representative Senior Managing Director		●			●	●	●
Female	Rieko Kimei	Director		●			●		●
Male	Nobuyuki Takakura	Director	Newly appointed			●	●		
Female	Kaori Ishikawa	Director	Newly appointed	●			●		●
Female	Noriko Endo	Director	Outside / Independent		●	●	●		
Male	Junro Ito	Director	Outside / Independent	●		●	●		●
Male	Shigeru Yamazoe	Director	Outside / Independent	●	●				●
Male	Hideki Kuriyama	Director	Outside / Independent			●	●		
Male	Koichi Kawamura	Corporate Auditor			●	●			
Male	Akira Ibayashi	Corporate Auditor	Outside / Independent	●	●	●			
Male	Osamu Muramatsu	Corporate Auditor	Outside / Independent	●	●				●

Evaluating the effectiveness of the Board of Directors

To improve the effectiveness of the Board of the Directors, the board asks each director to participate in an annual self-appraisal survey that assesses board performance in 17 categories on a scale of one to five (5: Highly positive, 4: Slightly positive, 3: Average, 2: Slightly negative, and 1: Highly negative), and asks all corporate auditors to provide their own evaluations, using the same question surveys. In the fiscal 2023 survey, inside directors, outside directors and all corporate auditors gave the board marks above

“3. Average” in all categories. The results show that the Company’s Board of Directors is generally fulfilling its duties in an effective manner. However, the survey identified the need for further improvement in some areas of discussion, such as more detailed explanations about business strategies and on-site efforts to improve the Company’s business value, as well as supplementary information about the industry operating environment and other topics.

Succession plans

The Nomination and Remuneration Committee engages in discussions regarding the required character of the next president. The Human Resources Development Committee then selects candidates and formulates and implements development plans. The Nomination and Remuneration Committee supervises and evaluates the status of the candidate development.

The required characteristics of the next president include focusing on realizing the enhancement of business value over the medium and long term, possessing business operation abilities and experience, possessing deep knowledge regarding areas such as finance, and having a sincere personality. Multiple candidates are selected and trained by providing them with concrete

experience through roles in corporate management and business operations as directors or executive officers in the Company itself or in Group companies.

Candidates are evaluated based on the requirements of the position, and then the outside directors on the Nomination and Remuneration Committee conduct interviews as appropriate to get a better picture of the candidates. The Human Resources Development Committee discusses regarding the candidates, and when necessary, revises requirements and processes and adds or drops candidates. The Nomination and Remuneration Committee discusses final candidates and reports to the Board of Directors.

Remuneration for directors and corporate auditors

Basic policy

To ensure the Group fulfills its social role and responsibilities by contributing to local healthcare and by providing beauty and happiness, the Company expects directors to improve the Group’s business performance and support sustainable growth while also sharing the same values as stakeholders. The remuneration system for directors consists of a fixed monthly remuneration component in accordance with each role and its responsibilities, a bonus linked to earnings performance to enhance the transparency and objectivity of the remuneration determination process and to provide work incentives, and a non-monetary compensation component to foster greater awareness of sustainable growth from the perspective of shareholders.

However, the remuneration system for outside directors is set up to reflect their role and responsibilities in overseeing the Company’s management from an independent and objective standpoint.

Policy for determining monthly remuneration

Monetary remuneration (remuneration other than those linked to earnings performance and non-monetary compensation) consists of fixed monthly basic remuneration. The amount of basic remuneration is determined based on a number of criteria, including the position, responsibilities, and tenure of the individual, as well as the balance of compensation relative to employee remuneration, trends at other companies in the industry and past remuneration.

Policy for determining bonuses

Bonuses are determined based on a range of factors, including consolidated operating profit and ROE for each fiscal year, the individual’s contribution to tackling environmental and social issues for each fiscal year and other value that does not directly appear in financial metrics, as well as dividends, the balance of bonuses relative to those paid to employees, trends at other companies in the industry and previous bonus payments.

Policy for determining non-monetary compensation

Non-monetary compensation for directors is restricted stock. Each year up to a total of ¥50 million in monetary compensation claims may be granted to directors in accordance with standard amounts determined by their

position and level of responsibility. Common stock is allocated to the claims as contributions in kind. The number of shares of common stock to be allocated as restricted stock compensation shall not exceed 50,000 each year.

Breakdown of compensation

The ratio of remuneration for directors (excluding outside directors) is generally 70:20:10 for monthly remuneration, bonuses, and non-monetary compensation, taking into account the characteristics of the Group’s business, the operating environment, and trends at other companies. Outside directors receive only monthly remuneration.

Policy for determining details of individual compensation

The Nomination and Remuneration Committee prepares proposals on the amount of compensation for each individual, including the range of monthly compensation for each position, details of earnings performance and other evaluation metrics for bonuses, and the amount of non-monetary compensation for each position. After approval by the Board of Directors, the President is responsible for making final decisions on compensation within the scope of the details approved by the Board.

To enhance fairness, transparency and objectivity in processes for determining remuneration for directors, a majority of Nomination and Remuneration Committee members are independent outside directors and the committee adheres to the above policies governing remuneration for directors and other personnel.

Remuneration by category of director and corporate auditor (fiscal 2023)

Category	Total remuneration (¥ million)	Remuneration by type (¥ million)			Number of eligible individuals
		Basic remuneration	Bonus	Non-monetary remuneration	
Directors (excluding outside directors)	214	151	41	21	8
Corporate Auditors (excluding outside corporate auditors)	7	7	0	—	1
Outside directors	19	19	—	—	5
Outside corporate auditors	12	12	—	—	2

Cross-shareholdings, etc.

The Company holds shares for reasons other than pure investment purposes (cross-shareholdings). Cross-shareholdings include the stocks of companies that offer potential mutual benefits, such as business alliances related to the Company’s operations or business relationships that need to be maintained and reinforced, and the stocks of companies that the Company requires to maintain links with local communities.

In principle, the Company seeks to keep the value of cross-shareholdings at less than 5% of total assets on the consolidated balance sheets. If the value of cross-shareholdings exceeds that level, the Company’s basic policy is to consider steps such as rapidly selling the shares.

In addition, the Board of Directors considers whether the rationale for holding the shares is appropriate, whether benefits and risks are commensurate with the cost of capital, and if there are more effective uses of funds, which

informs decisions on whether to continue holding the shares or reduce holdings through share disposals or other means.

With respect to the exercise of voting rights for cross-shareholdings, the Company emphasizes dialogue with investees and makes decisions on a case-by-case basis from the standpoint of prospects for increased corporate value and shareholder returns, rather than taking a uniform approach to all voting decisions.

Number of company stocks held and consolidated balance sheet value (As of April 30, 2023)

Category	Number of companies	Total value on consolidated balance sheets (¥ million)
Unlisted	17	1,243
Listed	8	568

## Risk Management

### Risk management promotion system

The AIN Group has formulated Risk Management Regulations and Risk Management Guidelines that establish the risk management framework for the whole Group. Departments are assigned to manage each category of risk, ensuring a comprehensive and exhaustive approach to risk management.

The Risk Management Office is in charge of risk matters and is responsible for issues and measures related to the implementation of risk management across the Group.

The Internal Audit Office conducts field audits to check whether risk management rules are being strictly observed and to assess the effectiveness of risk management systems.

In addition, to ensure the AIN Group continues to operate during times of crisis, we have formulated a Group business continuity plan (BCP), which is actively disseminated to officers and employees.

### Business Continuity Management (BCM) drill

In June 2023, we conducted a disaster response headquarters drill for the massive earthquake scenario assumed by the national government. Teams in the Group-wide disaster response headquarters at the head office and the local disaster response headquarters in the affected location (the local site office) confirmed the actions necessary for checking the safety of employees, injured persons, and disaster damage conditions in stores, implementing measures for restoring operations, securing routes for supplying necessary supplies and pharmaceuticals to disaster-struck areas, and dispatching support personnel to disaster-stricken areas.

Furthermore, separate evacuation manuals were prepared for specific models, based on the tsunami occurrences resulting from the geographical conditions at individual stores. In November 2022, model-specific evacuation drills were conducted in all stores other than those located within commercial facilities.

Going forward, we will continue to conduct training on a regular basis to live up to our role as part of the infrastructure of local communities by ensuring business continuity even in the event of a disaster, while also securing the safety of our employees.

#### Key risks and countermeasures

Key risks	Details of risks	Our response policies
Laws and regulations	<ul style="list-style-type: none"> <li>Orders from the authorities to halt business activities or the revocation of operating licenses, etc. due to legal or regulatory violations</li> <li>Deregulation of pharmaceutical sales, leading to market entrants from other industries, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Prepare systems and implement training to ensure thorough compliance with laws and regulations on pharmaceutical affairs</li> <li>Increase pharmacy capabilities by training higher-level personnel</li> </ul>
Dispensing pharmacy openings and demand trends	<ul style="list-style-type: none"> <li>Success or failure of the dispensing pharmacy opening strategy including M&amp;A, and trends in dispensing pharmacy openings at competitors</li> <li>Trends in prescriptions from medical institutions which are hard to forecast, and the temporary closure or exit of medical institutions from the market</li> <li>Changes in prescription volume due to seasonal epidemic situation</li> </ul>	<ul style="list-style-type: none"> <li>Formulate investment standards that reflect trends in other companies</li> <li>Reinforce coordination with medical institutions</li> </ul>
Revisions to the medical insurance system	<ul style="list-style-type: none"> <li>Changes in earnings structure due to revisions to the medical treatment fee system, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Thorough sharing of information in order to understand reasons for revisions and respond appropriately</li> <li>Train personnel that can appropriately execute pharmacy functions</li> </ul>
Digital transformation and information security	<ul style="list-style-type: none"> <li>Changes in business environment due to rapid digitalization</li> <li>Leakage of sensitive information due to cybercrime, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Promote Groupwide digital transformation, including healthcare digital transformation</li> <li>Reinforce information security</li> </ul>
Securing human resources	<ul style="list-style-type: none"> <li>Shortages of personnel such as pharmacists that are essential for business strategies</li> </ul>	<ul style="list-style-type: none"> <li>Actively hire and train new pharmacist graduates</li> <li>Establish a training system for the high-level professional personnel</li> <li>Introduction of flexible working hours</li> </ul>
Risks of loss of trust in the Company	<ul style="list-style-type: none"> <li>Medical accidents due to dispensing errors</li> <li>Accidents such as leaks of personal information</li> </ul>	<ul style="list-style-type: none"> <li>Create in-house dispensing operation manuals and implement ongoing training system</li> <li>Introduce dispensing error prevention system</li> <li>Establish Safety Policy Office dedicated to dispensing error prevention measures</li> <li>Reinforce personal information protection system and perform thorough employee training</li> </ul>
Interest rate risks	<ul style="list-style-type: none"> <li>Insufficient returns on investments from M&amp;A deals</li> <li>Fluctuations in interest rates and other trends in financial markets</li> </ul>	<ul style="list-style-type: none"> <li>Invest within cash flow boundaries</li> </ul>
Outbreak of infectious diseases	<ul style="list-style-type: none"> <li>Reduction in prescription volume and customer footfall due to spread of infectious diseases resulting in stay-at-home requests</li> <li>Changes in customer activity areas and trends in purchasing behavior</li> </ul>	<ul style="list-style-type: none"> <li>Thoroughly implement measures to prevent the spread of infection and continue to perform our dispensing operations as our social responsibility</li> <li>Reinforce and make ongoing improvements to BCP</li> </ul>
Natural disasters	<ul style="list-style-type: none"> <li>Human harm and physical damage caused by large-scale natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>Reinforce BCP and perform training on an ongoing basis</li> </ul>
Climate change	<ul style="list-style-type: none"> <li>Increase in costs due to addressing transitions to a low-carbon society</li> <li>Human harm and physical damage caused by increasingly frequent and intense wind and flood damage resulting from climate change</li> </ul>	<ul style="list-style-type: none"> <li>Enhance efforts to deal with climate change issues</li> </ul>

## Internal Control / Compliance

In accordance with the AIN Group's Code of Conduct, our officers and employees comply with all laws, regulations and the Articles of Incorporation, and also strive to follow a sound and ethical approach in all corporate activities, recognizing that they are engaged in a business that involves people's health.

The Group has established a Compliance Committee to manage all aspects of compliance at Group companies. The committee is tasked with improving compliance by ensuring the Group's operations comply with laws and regulations, the Articles of Incorporation, and internal rules.

As an independent body, the Company's Board of Corporate Auditors is responsible for establishing and operating the internal control system as part of its role of auditing the execution of duties by directors.

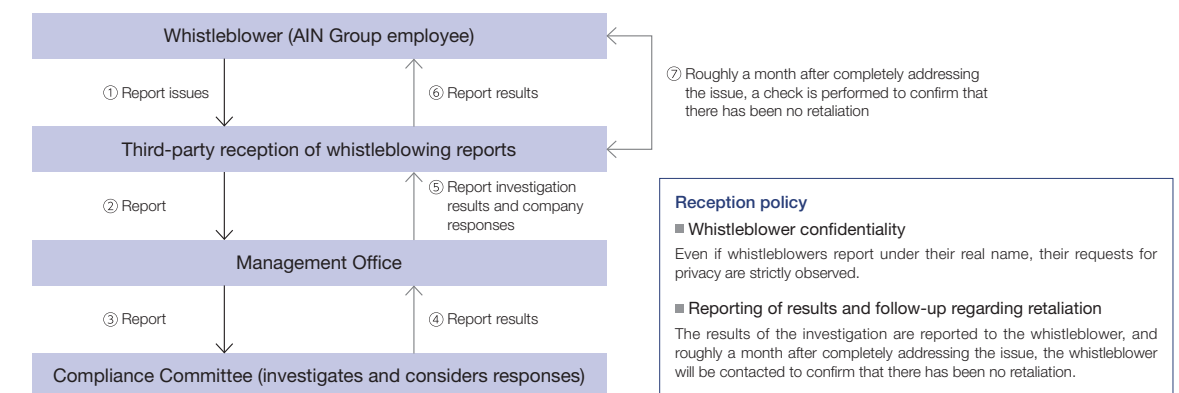
From a standpoint independent of the business execution organization, the Internal Audit Office audits compliance with laws, regulations, and the Articles of Incorporation by the Group's officers and employees.

### Whistleblowing system

We have set up a whistleblower contact point (compliance hotline) that employees can make reports if they discover any violations of laws, regulations, contracts, or our Code of Conduct, or if they experience or witness workplace

harassment. To protect the privacy of whistleblowers and to make it easier for people to report issues, we have entrusted the operation of the whistleblower contact point to an external third-party organization.

AIN Group compliance hotline



**Reception policy**

- Whistleblower confidentiality**  
Even if whistleblowers report under their real name, their requests for privacy are strictly observed.
- Reporting of results and follow-up regarding retaliation**  
The results of the investigation are reported to the whistleblower, and roughly a month after completely addressing the issue, the whistleblower will be contacted to confirm that there has been no retaliation.

### Corruption prevention activities

Bribery and corruption in corporate activities not only impede fair business dealings but can also serve as sources of funding for antisocial forces. Therefore, regulations in both Japan and overseas are being strengthened in recent years against bribery and corruption. To further strengthen such bribery and corruption prevention activities, we have formulated the AIN Group Anti-Bribery and Anti-Corruption Policy, which applies to all Group companies.

Furthermore, every year we conduct compliance training, including anti-corruption training, for all officers and employees.

We will continue to strive to maintain high ethical standards and engage in sensible and ethical corporate activities.



## Message from Outside Directors

### As the company of choice for the society

#### Noriko Endo

Independent Outside Director  
Member of the Nomination and Remuneration Committee



### A Board of Directors that engages in vigorous discussions led by outside directors

Five years have passed since I was appointed an outside director. Our Board of Directors consists of officers with highly varied backgrounds, and we engage in vigorous discussions led by outside directors and outside corporate auditors. The Nomination and Remuneration Committee, to which I was appointed as a member last year, has also discussed how to enhance our human capital and what approach to take in our successor plans.

The behavioral changes in society brought about by the spread of COVID-19 have also had a profound impact on the AIN Group's business. The Board of Directors system is structured in a manner that ensures each of its execution and supervision functions operate effectively, so that we can make agile business decisions to respond promptly to changes in the business environment. We have also made changes to our store operation system to reinforce our existing business by introducing a field manager system. We have employed digital transformation, such as app development, for both our dispensing pharmacy and cosmetic and drug store businesses. One of the features of our governance is that these measures are reported as appropriate to the Board of Directors and adjustments can be made to our orientation and direction, as necessary.

The expansion of our cosmetic and drug store business into the Malaysian market was a highly challenging project due to the country's unique regulations. However, the Board of Directors engaged

in thorough discussions regarding risks and measures in advance, and we continued to receive detailed reports after entering this new market.

### The effectiveness and transparency that the society demands of our governance

The business environment is expected to undergo continued dramatic changes in the future. In the face of these changes, we must make even more agile business decisions and maintain even more effectiveness and transparency in our governance. To leverage the strengths of the AIN Group and for us to continue to be the company of choice for the society, I will provide recommendations and advice based on my own experience and insights.

### Further increasing the corporate value of the AIN Group

In the digitalized society, which was further accelerated by the COVID-19 pandemic, it has become clear that managing risks related to information assets is an important foundation of sustainable corporate growth. I have actively provided input and recommendations based on the knowledge and experience I have acquired through my work as an economics magazine editor and my public policy research, especially those on energy policies and risk & security governance. Going forward, I will continue to strive to supervise appropriate decision-making and business execution to further increase the corporate value of the AIN Group.

### Looking toward the future evolution of the AIN Group

#### Junro Ito

Independent Outside Director



### Steadily evolving governance

I have experience in a great number of retail sites, both in Japan and overseas, as the representative director of a global retailer. This year marks my fifth year as an outside director in the Company since my appointment in July 2019. On the Board of Directors, each director appropriately fulfills their own respective roles under the powerful leadership of President Ohtani. We outside directors also actively participate in Board discussions. We also rapidly deal with issues identified in evaluations of the effectiveness of the Board of Directors. Even amidst the COVID-19 pandemic, we steadily made progress in identifying material issues and addressing compliance with the Corporate Governance Code. We have thereby achieved steadfast, continuous evolution in a truly short amount of time.

The AIN Group also has many female directors. The fact that one third of our directors are women helps motivate many of our female employees, and I believe that this is a wonderful achievement from the perspective of diversity and inclusion, as well. We have also publicly disclosed our Human Rights Policy, and while placing great confidence in the Board as a representative of our shareholders, I have been providing appropriate input and advice in the discussions of the Board of Directors during the past four years.

### Exploring various alliances in a quest for further growth

I expect that alliances with members of the distribution industry such as us will be effective going forward for the AIN Group to achieve further growth. The pharmacy industry is one with many restrictions, but I would like the Group to explore the possibilities of new partnerships to differentiate itself from competitors while maintaining its position as an industry-leading company.

### Offering the training programs required of a retailer

I have always insisted to those around me that one of the valuable assets of a retailer are employees that give their all for customers. In 2012, the AIN Group formulated its corporate philosophy as the Group Statement and issued every employee a copy of the AIN BOOK, which contains the Group's various guidelines. It is my wish that we expand the borders of our business while further establishing the Group Slogan "Holding beautiful will," which is set forth in the Group Statement. I am confident that this will provide a foundation that will support the future of the AIN Group.

Board of Directors and Corporate Auditors (As of November 30, 2023)

Board of Directors

Kiichi Ohtani

President and Representative Director

■ 3,238 thousand shares



July 1980 President and Representative Director of Ohtani Corporation (now AIN HOLDINGS INC.)  
 November 1981 Founder and Director of Daichi Medical Testing Laboratories Co., Ltd., Asahikawa (now AIN HOLDINGS INC.)  
 July 1983 President and Representative Director  
 May 1985 Managing Director of the Company  
 May 1988 President and Representative Director (current post)

Shoichi Shudo

Representative Senior Managing Director

in charge of Store Development

■ 9 thousand shares



March 1982 Joined Daichi Medical Testing Laboratories Co., Ltd., Asahikawa (now AIN HOLDINGS INC.)  
 May 1991 Division Manager of Corporate Planning of the Company  
 June 1994 Director and Division Manager of Administration of AIN MEDICAL SYSTEMS INC. (now AIN HOLDINGS INC.)  
 February 2000 Department Manager of Kansai Sales, Dispensing Pharmacy Business of the Company  
 July 2000 Director  
 May 2003 Managing Director  
 May 2004 Division Manager of Dispensing Pharmacy Business  
 May 2012 Senior Managing Director  
 November 2015 Representative Senior Managing Director in charge of Store Development (current post)  
 May 2020 Chairman of Nippon Pharmacy Association (NPhA)  
 November 2023 President and Representative Director of AIN PHARMACIEZ INC. (current post)

Toshihide Mizushima

Representative Senior Managing Director

in charge of Operations Management, Operational Support and Digital Promotion

■ 27 thousand shares



April 1986 Joined Ohtani Corporation (now AIN HOLDINGS INC.)  
 May 2000 Department Manager of Drug Store, Cosmetic and Drug Store Business of the Company  
 July 2000 Director  
 February 2001 Division Manager of Cosmetic and Drug Store Business  
 May 2003 Managing Director  
 May 2012 Senior Managing Director and Division Manager of Administration  
 November 2012 President and Representative Director of WHOLESALE STARS Co., Ltd. (current post)  
 November 2015 Representative Senior Managing Director of the Company (current post) in charge of Operations Management and Operational Support  
 July 2018 In charge of Operations Management, Operational Support and Information Technology Management  
 May 2020 In charge of Operations Management, Operational Support and Digital Promotion (current post)

Miya Oishi

Representative Senior Managing Director

■ 7 thousand shares



July 1993 Director of DAICHIKU Co., Ltd. (current post)  
 May 2007 Managing Director  
 July 2008 President and Representative Director  
 April 2011 Vice President and Representative Director of AIN MEDICAL SYSTEMS INC. (now AIN HOLDINGS INC.)  
 February 2012 President and Representative Director  
 July 2012 Director and Deputy Department Manager of Dispensing Pharmacy Business of the Company  
 July 2014 Managing Director  
 November 2015 Division Manager of Operations Management  
 President and Representative Director of AIN PHARMACIEZ INC.  
 In charge of Dispensing Pharmacy Operations Management of the Company  
 July 2021 Division Manager of Dispensing Pharmacy Operations Management  
 May 2023 Director of AIN PHARMACIEZ INC. (current post)  
 July 2023 Representative Senior Managing Director of the Company (current post)

Rieko Kimei

Director, Division Manager of Personnel

■ 6 thousand shares



December 1995 Joined Daichi Medical Testing Laboratories Co., Ltd., Sapporo (now AIN HOLDINGS INC.)  
 May 2003 Department Manager of Merchandise, Cosmetic and Drug Store Business of the Company  
 May 2004 Department Manager of Personnel, Administration Division  
 May 2009 Division Manager of Cosmetic and Drug Store Business and Department Manager of Merchandise  
 August 2009 Executive Officer  
 May 2013 Responsible for Personnel  
 July 2014 Director (current post)  
 September 2015 Vice President and Representative Director of AYURA LABORATORIES INC.  
 July 2016 President and Representative Director  
 February 2018 Director of AIN PHARMACIEZ INC. (current post)  
 July 2018 In charge of Personnel of the Company  
 May 2022 Division Manager of Personnel (current post)

Nobuyuki Takakura

Director in charge of Risk Management

■ 1 thousand shares

Newly appointed



April 1981 Joined Ministry of Health and Welfare (now Ministry of Health, Labour and Welfare)  
 July 2009 Deputy Assistant Minister for International Affairs, Minister's Secretariat of Ministry of Health, Labour and Welfare  
 July 2010 Deputy Director General, Minister's Secretariat of Ministry of Internal Affairs and Communications (in charge of Public Enterprise)  
 July 2011 Assistant Commissioner of the Fire and Disaster Management Agency  
 September 2012 Councillor for Pension Service, Minister's Secretariat of Ministry of Health, Labour and Welfare  
 July 2013 Retired from Ministry of Health, Labour and Welfare  
 October 2013 Senior Adviser of TEIJIN LIMITED  
 April 2014 Teijin Group Corporate Officer, Deputy Chief Social Responsibility Officer  
 April 2016 Teijin Group Corporate Officer, Chief Social Responsibility Officer, responsible for Corporate Auditing Department, and responsible for utilization of factory sites  
 April 2017 Teijin Group Corporate Officer, in charge of CSR, and responsible for Corporate Auditing Department  
 April 2019 Senior Adviser (part-time)  
 April 2020 Adviser of the Company  
 July 2020 Senior Managing Director of AIN PHARMACIEZ INC. (current post)  
 July 2023 Director in charge of Risk Management of the Company (current post)

Kaori Ishikawa

Director, Division Manager of Cosmetic and Drug Store Operations Management

■ 1 thousand shares

Newly appointed



February 2007 Joined the Company  
 November 2015 Department Manager of Cosmetic and Drug Store Operating, Operations Management Division  
 Division Manager of Cosmetic and Drug Store Business of AIN PHARMACIEZ INC.  
 Executive Officer of the Company  
 Director of AIN PHARMACIEZ INC. (current post)  
 May 2019 Division Manager of Cosmetic and Drug Store Operations Management of the Company (current post)  
 May 2022 President and Representative Director of AYURA LABORATORIES INC. (current post)  
 July 2023 Director of the Company (current post)

Noriko Endo

Director

■ 0 thousand shares

Outside Independent



June 1994 Joined DIAMOND, Inc.  
 April 2004 Head and Director of Tokyo Office, Kyushu University  
 March 2006 Deputy Editor of Diamond Weekly, DIAMOND, Inc.  
 September 2013 Visiting Researcher at Policy Alternatives Research Institute, University of Tokyo  
 April 2015 Project Professor, Graduate School of Media and Governance, Keio University  
 June 2016 Outside Director of NTT DOCOMO, INC.  
 July 2018 Outside Director of the Company (current post)  
 June 2019 Outside Director of Hankyu Hanshin Holdings, Inc. (current post)  
 April 2020 Specially Appointed Professor of Keio University Global Research Institute (current post)  
 March 2021 Outside Director of Techpoint, Inc. (current post)  
 June 2021 Outside Director of Japan Elevator Service Holdings Co., Ltd. (current post)  
 June 2022 Outside Member of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (current post)

Junro Ito

Director

■ - thousand shares

Outside Independent



August 1990 Joined Seven-Eleven Japan Co., Ltd.  
 May 2009 Director, Executive Officer and Senior Officer of the Corporate Development Department of Seven and i Holdings Co., Ltd.  
 April 2011 Senior Officer of the CSR Management Department  
 May 2016 In charge of the Group Corporate Support  
 July 2016 Senior Officer of the Corporate Support Department  
 December 2016 Managing Executive Officer and Head of the Corporate Development Office  
 March 2017 Director of Ito-Yokado Co., Ltd.  
 March 2018 General Manager of the Corporate Development Division of Seven & i Holdings Co., Ltd.  
 July 2019 Outside Director of the Company (current post)  
 April 2023 Senior Managing Executive Officer, Representative Director (current post), Chief Sustainability Officer, General Manager of the ESG Development Division and Supervising Officer of Superstore operation (current post) of Seven and i Holdings Co., Ltd.

Shigeru Yamazoe

Director

■ - thousand shares

Outside Independent



April 1978 Joined Marubeni Corporation  
 April 2006 Executive Officer and COO of Power Projects Division  
 April 2009 Managing Executive Officer, COO of Power Projects & Infrastructure Division, and Chief Corporate Officer of Abu Dhabi Trade House Project Department  
 June 2010 Managing Executive Officer, Member of the Board, Advisor to the President for Machinery Group, and Vice Chairman of Investment and Credit Committee  
 April 2012 Senior Managing Executive Officer and Member of the Board  
 April 2015 Senior Executive Vice President, Member of the Board, and Chief Executive Officer of Power Projects & Plant Group  
 April 2018 Vice Chairman and Member of the Board  
 June 2018 Outside Director of Fujitec Co., Ltd.  
 April 2019 Outside Audit & Supervisory Committee Member of Mizuho Capital Partners Co., Ltd. (now MCP Partners Co., Ltd.)  
 April 2020 Chairman of Marubeni Power & Infrastructure Systems Corporation  
 August 2020 Outside Director and Audit and Supervisory Committee Member of Bewith, Inc. (current post)  
 July 2022 Outside Director of the Company (current post)

Hideki Kuriyama

Director

■ - thousand shares

Outside Independent



April 2004 Assistant Professor of Hakuoh University  
 April 2008 Professor (current post)  
 November 2011 Manager of Hokkaido Nippon-Ham Fighters baseball team  
 November 2021 Manager of Japan National Baseball Team  
 January 2022 Professor (Senior Coach) of Hokkaido Nippon-Ham Fighters (current post)  
 April 2022 Specially Appointed Professor of Hokkai-Gakuen University (current post)  
 July 2022 Outside Director of the Company (current post)

Corporate Auditor

Koichi Kawamura

Corporate Auditor

■ 5 thousand shares



October 1985 Joined Daichi Medical Testing Laboratories Co., Ltd., Sapporo (now AIN HOLDINGS INC.)  
 May 1995 Deputy Department Manager of Accounting of the Company  
 July 1997 Corporate Auditor  
 April 2000 Managing Director and Department Manager of Accounting of AIN MEDICAL SYSTEMS INC. (now AIN HOLDINGS INC.)  
 May 2003 Department Manager of Administrative of the Company  
 April 2005 Corporate Auditor of AIN MEDICAL SYSTEMS INC. (now AIN HOLDINGS INC.)  
 July 2012 Corporate Auditor of the Company (current post)

Akira Ibayashi

Corporate Auditor

■ - thousand shares

Outside Independent



April 1968 Joined The Hokkaido Bank, Ltd.  
 June 1992 General Manager of Human Resources Division  
 April 1995 Branch Manager of Kushiro  
 June 1995 Director in charge of Regional Sales and Branch Manager of Kushiro  
 June 1999 Executive Officer  
 June 2000 Managing Executive Officer in charge of Regional Sales and Branch Manager of Asahikawa  
 June 2001 Director, Executive Officer and Deputy President  
 June 2003 Retired from The Hokkaido Bank, Ltd.  
 June 2003 President and Director of Hokkaido Tatemono Co., Ltd.  
 June 2005 Corporate Auditor of The Hokkaido Bank, Ltd.  
 June 2009 Retired as Corporate Auditor  
 June 2011 Corporate Auditor of Asbic Co., Ltd.  
 July 2012 Outside Corporate Auditor of the Company (current post)

Osamu Muramatsu

Corporate Auditor

■ - thousand shares

Outside Independent



April 1972 Joined Nomura Securities Co., Ltd.  
 June 1994 Branch Manager of Sapporo  
 June 1996 Director, Deputy Branch Manager of Osaka  
 January 1999 President of Nomura Fundnet Securities Co., Ltd.  
 November 2004 Advisor of Nomura Securities Co., Ltd.  
 April 2007 Corporate Auditor of AIN MEDICAL SYSTEMS INC. (now AIN HOLDINGS INC.)  
 October 2007 Retired from Nomura Securities Co., Ltd.  
 August 2011 President and Representative Director of Executive Partners, Inc.  
 June 2012 Outside Corporate Auditor of Asahi Pharmacy Co., Ltd. (current post)  
 July 2016 Outside Corporate Auditor of the Company (current post)  
 August 2018 Chairman of Executive Partners Inc. (current post)

\*Figures marked with ■ show the number of AIN HOLDINGS shares held as of April 30, 2023.



# Characteristics of Japan's Pharmacy Sector

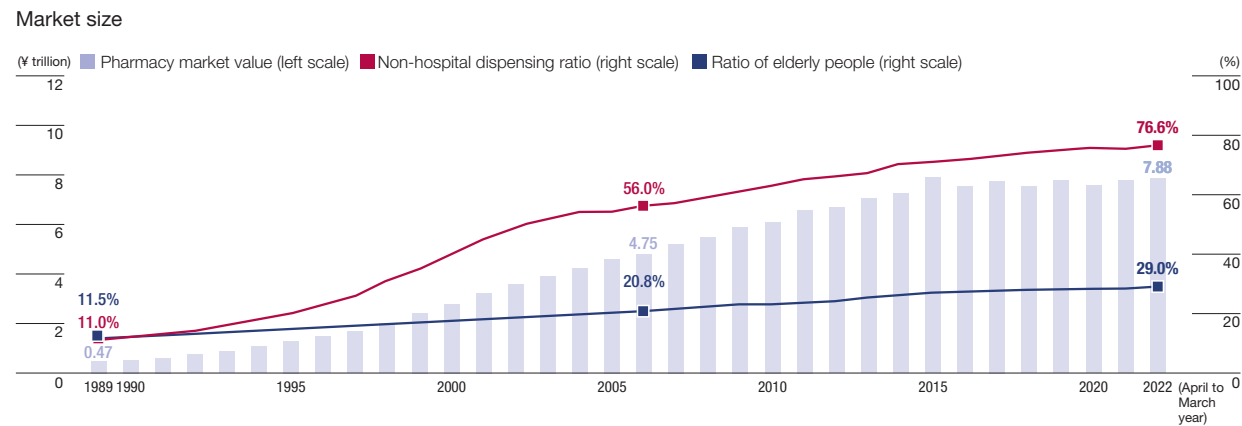
Differences in national healthcare policy and other factors mean Japan's pharmacies are different to pharmacies in the US and other countries. The following is the main characteristics of Japan's pharmacies.

## Market size

Barriers to entry are high in Japan's pharmacy sector due to various risks faced by pharmacy operators, such as government policy calling for pharmacies and pharmacists to play a greater role in healthcare provision, annual revisions to drug prices, revisions to dispensing fees every two years, and a lack of trained pharmacists.

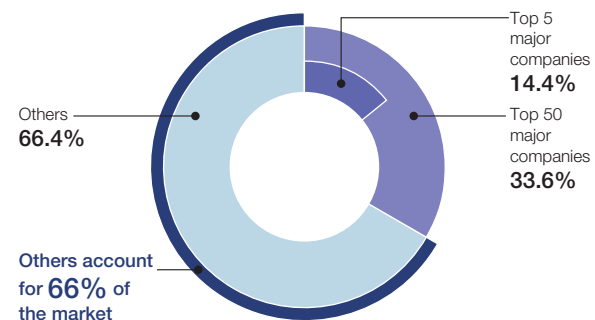
Japan's pharmacy market was worth roughly ¥7.9 trillion in fiscal 2023 (April 2022 to March 2023), but the

market remains fragmented, with the top five companies accounting for a combined market share of only 14.4%. While the market has matured, deregulation such as online pharmaceutical guidance and a new pharmacy certification scheme are likely to lead to wider gaps in performance between dispensing pharmacy companies. The AIN Group aims to increase market share by responding to these changes in the operating environment.



Source: Japan Pharmaceutical Association, Trends in Dispensing Pharmaceutical Expenditure (Ministry of Health, Labour and Welfare), White Paper on Ageing Society (Cabinet Office)

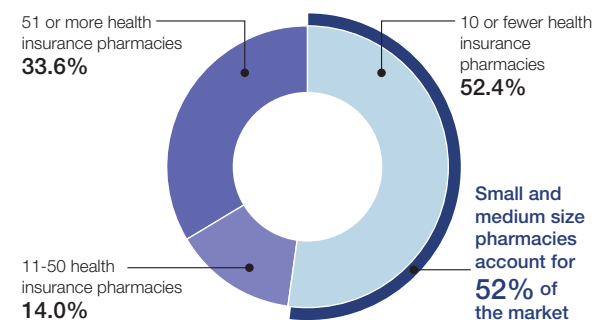
## Pharmacy company market share



\*Top 5 major companies: The AIN Group, NIHON CHOUZAI Co., Ltd., WELCIA HOLDINGS CO., LTD., SAKURA PHARMACY GROUP, MatsukiyoCocokara & Co.

Source: DRUG Magazine (August 2023) and Trends in Dispensing Pharmaceutical Expenditure released by the Ministry of Health, Labour and Welfare.

## Market structure



Source: AIN HOLDINGS estimates

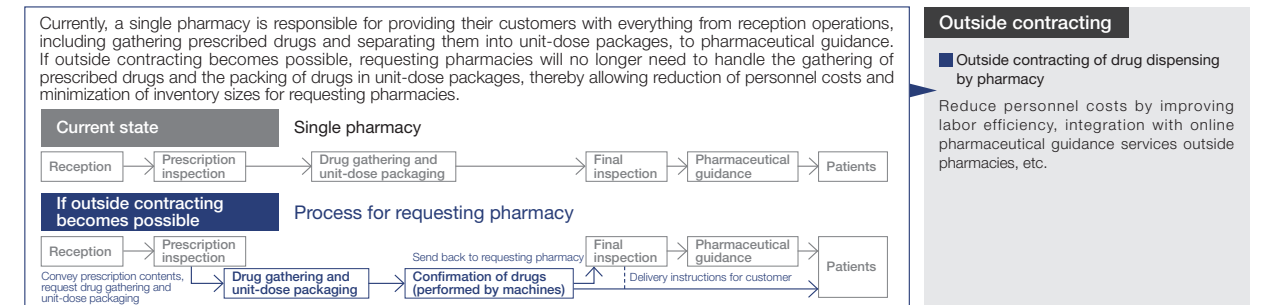
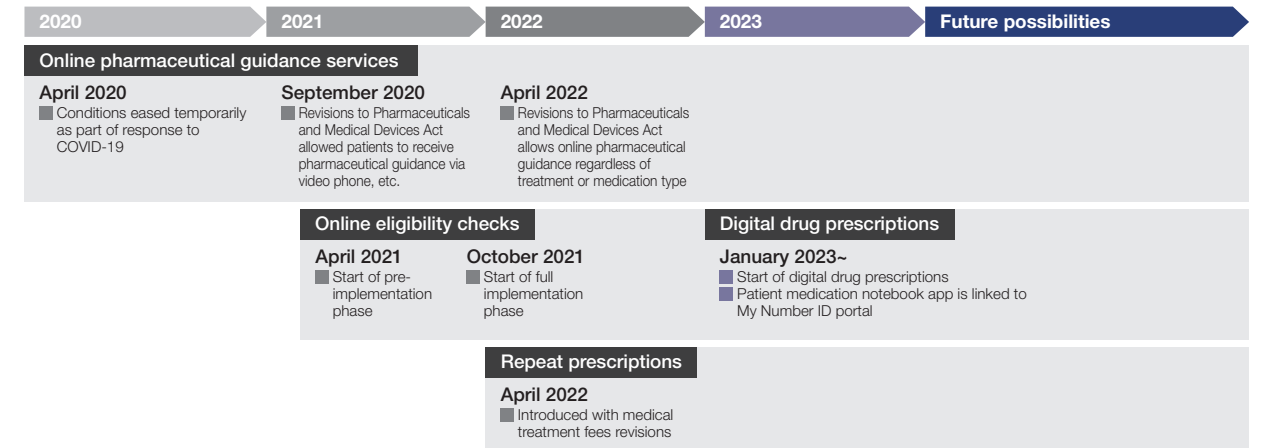
## Difference between Japan and US

	Japan	US
Medical insurance (patient cost)	Universal healthcare (0-30%)	Private health insurance (depends on contract terms)
Freedom to select hospitals by patients	No restrictions	Affiliated service providers
Non-hospital dispensing ratio	76.6% (fiscal 2023: April 2022 to March 2023)	100%
Drug prescriptions	Repeat ○ hard copy / patient data	Repeat ○ hard copy / patient data
Drug prices	Set by the government (revised regularly)	Market price

## Operating environment

A range of measures to reform and deregulate the pharmacy sector have led to changes in the operating environment. These trend is likely to continue, so the ability to adapt to change will become even more important.

In the face of these developments, we will continue to provide high-quality services by actively promoting digital transformation.



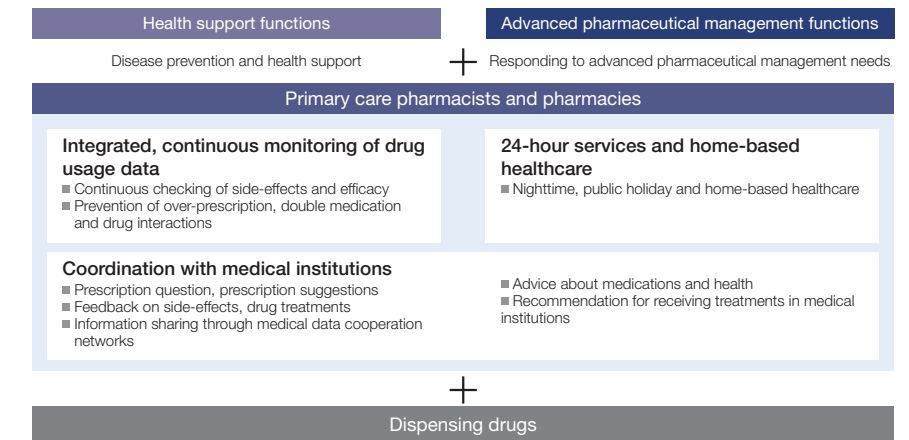
## The growing role of pharmacies

The role of pharmacies is shifting from a focus on dispensing drugs to one-on-one communication with patients. They are also being asked to play a greater role in local healthcare. The provision of high-quality services and closer coordination with medical institutions, in line with the

vision for patient-focused pharmacies being promoted by the Ministry of Health, Labour and Welfare, is expected to mitigate dispensing risks and lead to better collaboration in advanced healthcare services.



### Vision for patient-focused pharmacies



# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Business environment surrounding the AIN Group

The core business of the AIN Group (the Group) is the dispensing pharmacy business that includes preparing and dispensing drugs based on prescriptions. Earnings at pharmacies are largely determined by dispensing fees and drug prices, which are regularly revised by the Ministry of Health, Labour and Welfare as part of the government's policy to curb national healthcare expenses.

Under revisions to the Pharmaceuticals and Medical Devices Act (partial revisions to the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices), which come into effect from August 2021, prefectural governments introduced a new pharmacy certification system. Dispensing pharmacies with advanced pharmaceutical management capabilities will be certified as specialized medical institution coordination pharmacies and pharmacies with advanced primary care functions will be certified as community coordination pharmacies. The gap in performance between companies in the sector is widening due to this new certification system, as well as other developments in the operating environment such as a relaxation of the criteria governing online pharmaceutical guidance.

Seeing these developments as an opportunity, the Group has been making preparations to adapt to any changes ahead, aiming to ensure sustained growth while also helping to solve issues faced by society.

## Business overview for the fiscal year

During the fiscal year under review (May 1, 2022 to April 30, 2023), the COVID-19 pandemic continued to have an impact on the Japanese economy, but there were signs of a moderate pickup due to an easing in mobility restrictions and other factors. However, the outlook remains uncertain amid rising prices and fluctuations in financial and capital markets.

In this economic environment, the Group rigorously implemented measures to prevent the spread of COVID-19 and worked to provide healthcare and retail services. To help solve various social issues through its business activities, AIN HOLDINGS aims to be a company that "people welcome to their communities."

We have identified six issues material to the AIN Group (materiality): "Contribute to local healthcare," "Provide beauty and happiness," "Safety, peace of mind and trust," "Protect the environment and reduce environmental impact," "Ensure sound management base," and "Cooperate with local communities and businesses." We have also publicly disclosed KPIs and fiscal 2026 targets for initiatives in each area of materiality.

In July 2022, the Group organized and set four disclosure items recommended by the final report of the TCFD and disclosed them on its website. In September 2022, as part of efforts to enhance communication with stakeholders, the Group published a new Integrated Report with information on measures to increase value over the medium and long term, including specific measures for materiality, human

resources strategies and digital transformation strategies. In November 2022, the Group formulated the CSR Procurement Policy and Guidelines in order to "Cooperate with local communities and businesses." The Group also signed the United Nations Global Compact and joined the UN Global Compact Network Japan.

In March 2023, for the third consecutive year since 2021, the Group received certification as an Outstanding Health and Productivity Management Organization for 2023 (large enterprise category) under a program run by Nippon Kenko Kaigi that recognizes leading companies in health and productivity management. From the standpoint of human capital management, and also as part of our efforts to "Ensure sound management base," we will work to improve the health of employees to reduce the staff turnover rate and lift productivity by harnessing the performance of every employee.

Going forward, by implementing a range of measures, the Group will work to realize sustainability management in order to generate sustainable growth and create social, environment and economic value.

For the fiscal year under review, net sales rose 13.4% year on year to ¥358,742 million, operating profit increased 5.7% to ¥16,004 million, ordinary profit increased 6.4% to ¥17,064 million and profit attributable to owners of parent increased 30.2% year on year to ¥9,234 million.

## Business results by segment

### Dispensing pharmacy business

We are striving to provide the functions of primary care pharmacists and pharmacies by coordinating with medical institutions, using patient medication notebooks and the like to centrally and continuously manage prescription information, and providing home-based healthcare. Through these efforts, we are enabling patients to receive medical care in their familiar local community with peace of mind.

In advance of the launch of the digital drug prescription management service by the Ministry of Health, Labour and Welfare (MHLW) in January 2023, the AIN Group participated in the MHLW-led digital drug prescription model project, which started at the end of October 2022, with the aim of establishing its own operation processes and implementing pioneering measures, collecting successful case examples, and formulating guidelines. The Group is currently making gradual improvements to its operating environment to support the use of digital drug prescriptions in all of the Group's pharmacies nationwide. Going forward, we will continue to respond to changes in the environment and work to ensure that customers feel secure and will always be able to continue receiving prescription drug treatment.

With respect to business development, new pharmacy openings and the growth of pharmacies opened during the previous fiscal year, including the acquisition in May 2022 of the approximately 100 pharmacies operated by Pharmacy Holdings Co. Ltd., contributed to the Group's consolidated business results for the fiscal year under review. The Group will continue to target further business expansion through a pharmacy opening strategy of

actively opening large pharmacies and using M&A deals that emphasize investment returns, while also improving pharmacy operating efficiency.

As a result, for the fiscal year under review, the dispensing pharmacy business reported net sales of ¥321,577 million, up 13.6% year on year, and segment profit of ¥24,135 million, down 3.8%.

During the fiscal year, the Group opened a total of 141 pharmacies, closed 24 pharmacies and sold seven pharmacies, resulting in a total of 1,209 pharmacies.

### Cosmetic and drug store business

Although the effects of the COVID-19 pandemic continue, the Group reviewed its original brands and promoted efforts to optimize costs. Activity restrictions were eased during the fiscal year under review, leading to a steady rise in customer numbers, and cost optimization efforts proved successful. Through these efforts, the Group was able to restore the cosmetic and drug store business to profitability.

As a result, for the fiscal year under review, the cosmetic and drug store business reported net sales of ¥25,685 million, up 24.9% year on year, and segment profit of ¥1,214 million, compared with a segment loss of ¥1,764 million in the previous fiscal year.

During the fiscal year under review, the Group opened eight AINZ & TULPE stores and closed eight stores, resulting in a total of 78 cosmetic and drug stores at the end of the fiscal year.

### Other businesses

Net sales from other businesses declined 9.0% year on year to ¥11,540 million, and reported segment profit of ¥282 million, compared with a segment loss of ¥146 million in the previous fiscal year.

## Financial position

The balance of total assets at the end of the fiscal year under review increased ¥19,288 million from the end of the previous fiscal year to ¥231,750 million. This mainly reflected increases in goodwill and merchandise, etc. due to new pharmacy and store openings, including M&As.

The balance of liabilities at the end of the fiscal year under review increased by ¥11,753 million to ¥105,204 million.

The balance of short- term and long-term borrowings increased by ¥233 million to ¥8,691 million.

Total net assets increased by ¥7,535 million to ¥126,546 million and the shareholders' equity ratio decreased 1.4 percentage points to 54.6%. Also, return on assets (ROA) rose by 0.8 percentage points to 4.2% from the previous fiscal year, while return on equity (ROE) rose by 1.5 percentage point to 7.5%.

## Basic policies for profit distribution

The Company considers the return of profits to shareholders as an important management issue. Our

basic policy is to repay investors proportionately to profits generated, and to maintain payments at stable levels.

Internal reserves are held to strengthen the corporate structure and in preparation for new store openings and future development of the business. We will make effective use of these funds to generate profits to be returned to shareholders in the future.

The Company's basic policy is to pay dividends from retained earnings once each year at the end of the fiscal year.

Taking into account a range of factors, including profit levels for the fiscal year under review and plans for future business development, the Company paid a full-year dividend of ¥60 per share, equating to a dividend payout ratio of 22.8% (down 4.5 percentage points from the previous fiscal year). For the fiscal year ending April 30, 2024, the Company intends to pay a full-year dividend of ¥60 per share.

## Cash flows

In the fiscal year under review, cash and cash equivalents decreased ¥13,252 million year on year to ¥46,217 million.

Cash flows from each category and their relevant factors are as follows.

### Cash flows from operating activities

Net cash provided by operating activities was ¥20,267 million, compared with net cash provided of ¥26,156 million in the previous fiscal year.

The main items that were positive for cash flow were profit before income taxes of ¥15,882 million, as well as depreciation of ¥5,529 million and amortization of goodwill of ¥4,310 million related to business expansion through new store openings and M&A.

The main items negative for cash flow was income taxes paid of ¥7,897 million and increase in inventories of ¥4,948 million.

### Cash flows from investing activities

Net cash used in investing activities was ¥22,292 million, compared with net cash used of ¥13,943 million in the previous fiscal year.

This mainly reflected payments of ¥14,614 million for purchases of shares in subsidiaries resulting in change in scope of consolidation related to shares acquired in nine companies through M&A deals, and ¥9,549 million for purchases of property, plant and equipment related to the opening of new cosmetic and drug stores and pharmacies.

### Cash flows from financing activities

Net cash used in financing activities was ¥11,237 million, compared with net cash used in ¥7,753 million in the previous fiscal year.

The main items were net repayment of ¥9,038 million from short-term and long-term borrowings repayment and proceeds, and ¥1,932 million for cash dividends paid.



11-year Financial and Non-financial Summary

(¥ million)	4/2013	4/2014	4/2015	4/2016	4/2017	4/2018	4/2019	4/2020	4/2021	4/2022	4/2023
For the year:											
Net sales	154,560	170,225	187,904	234,843	248,110	268,385	275,596	292,615	297,305	316,247	358,742
Selling, general and administrative expenses	14,740	15,635	17,509	23,915	27,529	28,370	29,295	30,793	35,222	34,832	37,694
Operating profit	9,701	10,113	11,452	14,619	14,563	19,622	16,067	16,068	10,932	15,139	16,004
Ordinary profit	10,292	10,587	11,697	15,158	15,080	20,129	16,637	16,822	12,649	16,041	17,064
Profit attributable to owners of parent	5,075	5,259	6,197	7,917	7,949	10,567	9,029	9,179	6,697	7,092	9,234
Capital expenditures	7,235	6,328	6,413	11,209	4,786	5,311	9,919	10,536	8,122	12,756	14,756
Depreciation	2,212	2,258	2,553	3,259	3,687	3,596	3,903	4,087	4,243	4,792	5,529
At the end of the year:											
Equity capital*1	38,312	42,122	47,928	53,258	60,105	96,697	103,855	110,915	115,758	118,923	126,450
Total net assets	38,356	42,240	48,046	53,324	60,178	96,733	103,922	111,003	115,837	119,010	126,546
Total assets	95,839	101,382	114,149	139,888	156,323	183,380	189,021	193,451	203,662	212,461	231,750
Number of shares outstanding (shares)	15,940,740	15,854,190	31,707,617	31,707,617	31,707,668	35,427,524	35,427,484	35,427,484	35,427,321	35,127,301	35,130,024
Number of pharmacies: Dispensing pharmacy business	560	616	754	881	1,066	1,029	1,132	1,088	1,065	1,099	1,209
Number of AINZ & TULPE stores: Cosmetic and drug store business	61	59	56	52	52	48	54	63	69	78	78
Per share information (¥):											
Earnings*2	159.18	165.04	195.45	249.69	250.71	310.08	254.87	259.11	189.04	201.47	262.87
Net assets*2	1,201.71	1,328.43	1,511.57	1,679.69	1,895.63	2,729.44	2,931.48	3,130.77	3,267.49	3,385.51	3,599.47
Cash dividends*2	30.0	30.0	30.0	40.0	50.0	50.0	55.0	55.0	55.0	55.0	60.0
Stock information (based on the closing price as of April 30) (¥):											
Stock price	4,765	4,495	4,245	5,340	7,720	7,300	8,840	6,030	6,070	5,840	5,640
Ratios (%):											
Operating margin	6.3	5.9	6.1	6.2	5.9	7.3	5.8	5.5	3.7	4.8	4.5
Return on sales*3	3.3	3.1	3.3	3.4	3.2	3.9	3.3	3.1	2.3	2.2	2.6
Return on assets (ROA)*4	5.6	5.3	5.8	6.2	5.4	6.2	4.8	4.8	3.4	3.4	4.2
Return on equity (ROE)*5	14.1	13.1	13.8	15.6	14.0	13.5	9.0	8.5	5.9	6.0	7.5
Shareholders' equity ratio	40.0	41.5	42.0	38.1	38.4	52.7	54.9	57.3	56.8	56.0	54.6

Note:  
Amounts of less than one million yen were rounded down.

\*1: Equity capital = Total net assets - Non-controlling interests

\*2: The Company conducted a 2-for-1 stock split of common shares with an effective date of October 1, 2014. Earnings per share, net assets per share and cash dividends per share have been adjusted retroactively to reflect the impact of the stock split.

\*3: Return on sales = Profit attributable to owners of parent / Net sales × 100

\*4: Return on assets = Profit attributable to owners of parent / Total assets (yearly average) × 100

\*5: Return on equity = Profit attributable to owners of parent / Equity capital (yearly average) × 100

ESG Data

	4/2021	4/2022	4/2023
Environment			
Environmental protection action plan Yes (Japanese only)	<a href="https://www.ainj.co.jp/corporate/sustainability/environment/protection.html#policy">https://www.ainj.co.jp/corporate/sustainability/environment/protection.html#policy</a>		
Number of environmental infringements	—	0	0
Environmental data			
CO <sub>2</sub> emissions			
Scope 1 and 2 (t-CO <sub>2</sub> , thousand)	—	21.1	19.2
Scope 1 (t-CO <sub>2</sub> , thousand)	—	1.0	1.1
Scope 2 (t-CO <sub>2</sub> , thousand)	—	20.0	18.0
Scope 3 (t-CO <sub>2</sub> , thousand)	—	556.7	667.9
Total energy use (TJ)	—	399.1	426.9
Electricity use (TJ)	—	373.9	402.1
Hot and cold water use (TJ)	—	6.0	3.7
CO <sub>2</sub> emissions per unit of production (Scope 1 + Scope 2) (t / million yen *net sales)	—	670	540
Other	—	—	—
Pharmaceutical disposal rate (%)	—	0.05	0.06
Social			
Human Rights Policy Yes	<a href="https://www.ainj.co.jp/upload/humanrights_english_20211201.pdf">https://www.ainj.co.jp/upload/humanrights_english_20211201.pdf</a>		
Employment: Human resources activity			
Total employees	13,065	13,009	14,147
Male	2,448	2,467	2,671
Female	10,617	10,542	11,476
Pharmacists	5,477	5,768	6,331
Non-Japanese employees	70	36	39
Number of graduates hired	1,018	999	931
Pharmacists	613	660	543
Full-time employees average age	33.5	33.6	36.2
Full-time employees turnover rate (%)	5.2	6.9	8.2
Pharmacists (%)	4.5	5.7	7.0
Proportion of employees continuing work after mandatory retirement age (%)	60.8	82.4	57.6
Human resources utilization / training			
Eruboshi certification Yes Third level – highest level of certification			
Platinum Kurumin certification Yes			
Ratio of female graduate recruitment (%)	81.4	82.5	81.7
Ratio of female managers (%)	32.6	34.0	35.9
Executive officers (%)	27.3	26.3	21.7
Directors (%)	14.3	19.2	17.6

	4/2021	4/2022	4/2023
Social			
Employees using maternity/paternity leave	351	432	396
Employees using childcare leave	640	657	648
Employees with reduced hours for childcare	875	1,008	1,081
Average training hours per full-time employee (hours)	—	26	22
Average training cost per full-time employee (¥)	—	13,126	34,127
Health and Productivity Management			
Health and Productivity Management Declaration Yes (Japanese only)	<a href="https://www.ainj.co.jp/corporate/sustainability/social/employees/health-management.html#basic">https://www.ainj.co.jp/corporate/sustainability/social/employees/health-management.html#basic</a>		
Average monthly overtime per employee (hours)	3.9	4.7	5.2
Occupational accident frequency rate (%)	—	0.37	0.00
Other			
Full-time employee average annual compensation (¥ thousand)	4,484	4,398	4,409
Governance			
Board of Directors			
Number of directors	12	12	12
Independent outside directors	4	4	4
Female directors	3	3	3
Ratio of female directors (%)	25	25	25
Number of meetings	11	11	11
Average attendance for outside directors (%)	100	97.7	92.5
Average attendance for outside corporate auditors (%)	100	100	100
Board of Corporate Auditors			
Number of corporate auditors	3	3	3
Outside corporate auditors	2	2	2
Number of meetings	13	13	12
Average attendance for outside corporate auditors (%)	100	100	100
Executive Remuneration			
Director and corporate auditor remuneration (¥million)	213	218	253
Inside directors (¥million)	175	180	214
Inside corporate auditors (¥million)	7	7	7
Outside directors (¥million)	18	18	19
Outside corporate auditors (¥million)	12	12	12
Nomination and Remuneration Committee			
Number of meetings (Average attendance %)	2 (100)	4 (100)	3 (100)
Sustainability Committee			
Number of meetings (Average attendance %)	3 (98.1)	3 (91.2)	2 (97.2)

Investor Information (As of April 30, 2023)

Corporate data

**Corporate name**  
AIN HOLDINGS INC.

**Head office**  
5-2-4-30, Higashi-sapporo,  
Shiroishi-ku, Sapporo-shi,  
Hokkaido, Japan

**Established**  
August 1969

**Paid-in capital**  
¥21,894,970 thousand

**Number of employees**  
14,147  
(consolidated) (including part-timers)

**Business lines**  
Planning, management and operation of the corporate Group, focused on pharmacy and cosmetic and drug store operations, generic drug wholesaling, sales of cosmetics, and operation of retail shops, and the Group's other businesses

Stock information

**Transfer agent**  
Mizuho Trust & Banking Co., Ltd.

**Stock listings**  
Tokyo Stock Exchange, Prime Market and Sapporo Securities Exchange

**Securities code number**  
9627

**Fiscal year**  
May 1 to April 30 of the following year

**Ordinary general meeting of shareholders**  
July

**Date of record**  
April 30  
(The Company will announce other dates as and when required.)

Major shareholders

Shareholders	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd (Trust account)	3,411	9.71
Kiichi Ohtani	3,238	9.22
Seven & i Holdings Co., Ltd.	2,750	7.83
North Pacific Bank, Ltd.	1,743	4.96
Retirement Benefit Trust managed by Mizuho Trust & Banking Co., Ltd. (Marubeni Corporation account)	1,594	4.54
The Hokkaido Bank, Ltd.	1,472	4.19
Custody Bank of Japan, Ltd. (Trust account)	1,257	3.58
STATE STREET BANK AND TRUST COMPANY 505103	1,168	3.33
JP MORGAN CHASE BANK 385151	978	2.79
THE BANK OF NEW YORK MELLON 140044	713	2.03

Notes:1. Shareholding ratios are calculated excluding 298,188 treasury shares.  
2. Shares held in the Retirement Benefit Trust managed by Mizuho Trust & Banking Co., Ltd. (Marubeni Corporation account) are part of Marubeni Corporation's retirement benefit trust.  
3. Large shareholding reports (change reports) available for public inspection as of March 9, 2023, indicated that Sprucegrove Investment Management Ltd. held 4,060 thousand shares (11.46% stock ownership) as of March 6, 2023. However, as the Company was unable to confirm the number of shares actually held as of the end of the fiscal year under review, the above information regarding major shareholders is based on the number of shares indicated in the shareholder registry.

**Number of shares outstanding**  
35,428,212 shares  
(including treasury stock)

**Number of shareholders**  
16,221

External Evaluations

Inclusion in ESG indexes

• FTSE Blossom Japan Sector Relative Index

Selected for inclusion in an index composed of Japanese companies that demonstrate outstanding environmental, social and governance (ESG) performance in their respective sectors

\*FTSE Russell (registered trademark of FTSE International Limited and Frank Russell Company) hereby certifies that AIN HOLDINGS INC. has met the requirements for inclusion in the FTSE Blossom Japan Sector Relative Index following an evaluation by independent assessors. The FTSE Blossom Japan Sector Relative Index is widely used to create and evaluate sustainable investment funds and other financial products.

• MSCI Japan Empowering Women (WIN) Select Index

Selected for empowering women and scoring highly for gender diversity from constituents of the MSCI Japan IMI Top 500 Index

\*The inclusion of AIN HOLDINGS INC. in any MSCI index, and the use of the MSCI logos, trademarks, service marks or index names herein by AIN HOLDINGS INC., do not constitute a sponsorship, endorsement or promotion of AIN HOLDINGS INC. by MSCI or any of its affiliates.

The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

• Morningstar Japan ex-REIT Gender Diversity Tilt Index

Selected as a company that has strong gender diversity policies embedded in its corporate culture and that ensures equal opportunities to employees, irrespective of their gender.

\*Morningstar, Inc., and/or its affiliated companies (individually and collectively, "Morningstar") have authorized AIN HOLDINGS INC. to use the Morningstar Japan ex-REIT Gender Diversity Tilt Logo ("Logo") to reflect the fact that, for the designated ranking year, AIN HOLDINGS INC. ranks in the top quintile of companies comprising the Morningstar Japan ex-REIT Gender Diversity Tilt Index ("Index") on the issue of gender diversity in the workplace. Morningstar has authorized the use of the Logo by AIN HOLDINGS INC. solely for the purposes of providing information. AIN HOLDINGS INC.'s use of the Logo should not be interpreted as an endorsement by Morningstar of AIN HOLDINGS INC. or as a recommendation, offer or solicitation to purchase, sell or underwrite any security associated with AIN HOLDINGS INC. Although the Index is designed to reflect gender diversity in the workplace in Japan, Morningstar does not guarantee the accuracy, completeness or timeliness of the Index or any data included therein. Morningstar makes no express or implied warranties regarding the Index or the Logo, and expressly disclaim all warranties of merchantability or fitness for a particular purpose or use with respect to the Index, any data included therein or the Logo. Without limiting any of the foregoing, in no event shall Morningstar or any of its third party content providers have any liability for any damage (whether direct or indirect), arising from use or reliance on the Index or the Logo by any party concerned, even if Morningstar is notified of the possibility of such damage. The Morningstar's name, index name and the Logo are the trademarks or services marks of Morningstar, Inc. Past performance is no guarantee of future results.

Evaluation of Health and Productivity Management, Diversity, etc.

• Health and Productivity Management

Selected as an Outstanding Health and Productivity Management Organization for 2023

• Eruboshi Certification

Certified at the third level (highest level) for outstanding support for women's participation and career advancement in the workplace

• Platinum Kurumin Certification

Received the Platinum Kurumin Certification as a company that provides exceptional childcare support. The Platinum Kurumin is a certification that is awarded to Kurumin certified companies that provide childcare support at an even higher standard.

Participation in the initiative

• United Nations Global Compact

The world's largest initiative for establishing a healthy global society. Signatory companies and organizations are required to affirm its Ten Principles related to protecting human rights, eliminating unfair labour, responses to the environment, and anti-corruption, and to continuously strive to practice these principles. The Group has signed the United Nations Global Compact.

• TCFD

Endorsed the final report of the TCFD (TCFD recommendations) and joined the TCFD Consortium



FTSE Blossom Japan Sector Relative Index

2023 CONSTITUENT MSCI日本株女性活躍指数 (WIN)



Japan ex-REIT Gender Diversity Tilt Index

TOP CONSTITUENT 2023







AIN HOLDINGS